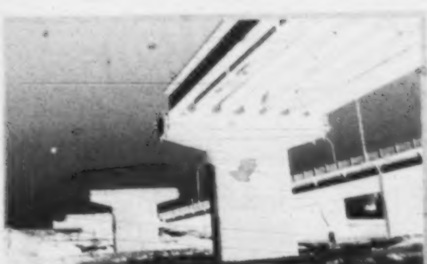
Manitoba Budget

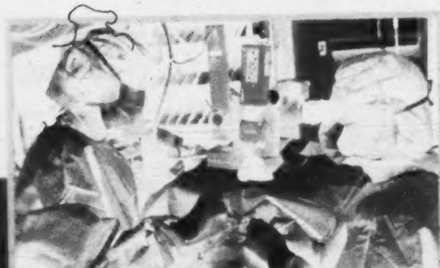
March 25
2009

Steady. Balanced.
Building Manitoba's Future

Steady

Balanced





BUDGET and Budget Papers

Manitoba

MANITOBA BUDGET 2009

Manitoba

This document is available on the Internet at:

http://www.gov.mb.ca/finance

Information available at this site includes:

- The 2009 Manitoba Budget Address
- Budget 2009
- Budget Papers
  - A The Economy
  - B Supplementary Financial Information
  - C Recent Developments in Fiscal Arrangements
  - D Taxation Adjustments
  - E The Manitoba Advantage
  - F Improved Infrastructure and Fiscally Sound Economic Stimulus
- Estimates of Expenditure and Revenue for the Fiscal Year Ending March 31, 2010
- Budget in Brief
- Tax News
- Facts for Investors
- Financial Reports
- Economic Highlights
- Economic Statistics

Les documents offerts en français sur le site Internet http://www.gov.mb.ca/finance/index.fr.html comprennent:

- Le discours du Budget 2009
- Budget 2009
- Les avantages du Manitoba (Rapport supplémentaire du Budget)
- Moderniser le gouvernement (Rapport supplémentaire du Budget)
- Amélioration de l'infrastructure et stimulation responsable de l'économie (Rapport supplémentaire du Budget)
- Le Budget des dépenses et des recettes pour l'exercice se terminant le 31 mars 2010
- Budget en bref
- Le Bulletin de nouvelles fiscales
- Investir au Manitoba
- Rapports financiers
- Fait saillants de l'activité économique
- Statistiques économiques

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BUDGET 2009

Contents

FOREWORD

Budget 2009 provides the financial overview of the Government Reporting Entity (GRE), which includes Core Government and Crown organizations, government business entities and public sector organizations such as regional health authorities, school divisions, universities and colleges. The 2007/08 adoption of a summary budget followed the recommendation of the Office of Auditor General. Manitoba's summary budget aligns with the accounting standards set by the Public Sector Accounting Board and fully reflects Generally Accepted Accounting Principles (GAAP). A summary budget presents a more complete picture of how the provincial government and the other related entities operate as a whole and what the total cost is of providing services and programs to people in Manitoba.

Although the revenues and expenses of entities such as universities, public schools and government business enterprises are included in the Summary Budget, the existing relationship between the government and the related entities does not change. Governance of these organizations and their relationships with government are not affected by the Summary Budget process.

To ensure transparency and accountability, Schedules 1 and 2 in this Budget present information on Core Government estimates of expenditure and revenue reconciled to the Summary Budget.

In addition, all financial reporting, including quarterly financial reporting, is being transitioned to a summary basis. During 2008/09 the quarterly financial reports have been revised to include additional information on the GRE and now also include an economic performance review and outlook. The third quarter financial report, for the first time, included an operating statement with the financial results of the GRE for the nine months ending December 31, 2008. The complete transition to having summary quarterly reporting consistent with GAAP is targeted to be in place by the end of 2009/10.

Budget 2009 includes an updated Financial Management Strategy, which sets out our government's priorities for financial management as well as measurable outcomes for each priority. These outcomes will be reported on in the fall of 2010.

The information provided in this document will help the public assess the fiscal environment and financial status of the Province.

SUMMARY BUDGET 2009/10

SUMMARY BUDGET

For the Fiscal Year ending March 31, 2010

With Comparative Data for the year ending March 31, 2009

	2009/10 Budget	2008/09 Forecast	2008/09 Budget	Per cent Change 2009/10 Budget from 2008/09 Forecast	Per cent Change 2009/10 Budget from 2008/09 Budget
		(Millions of Dollars)			
REVENUE					
Income Taxes	2,689	2,812	2,611	(4.4%)	3.0%
Other Taxes	3,293	3,329	3,321	(1.1%)	(0.8%)
Fees and Other Revenue	1,582	1,565	1,478	1.1%	7.0%
Federal Transfers	4,103	3,936	3,905	4.2%	5.1%
Net Income of Government Business Enterprises	816	812	668	0.5%	22.2%
Sinking Funds and Other Earnings	246	325	278	(24.3%)	(11.5%)
TOTAL REVENUE	12,729	12,779	12,261	(0.4)%	3.8%
EXPENDITURE					
Health and Healthy Living	4,723	4,583	4,469	3.1%	5.7%
Education	3,270	3,138	3,132	4.2%	4.4%
Family Services and Housing	1,390	1,357	1,320	2.4%	5.3%
Community, Economic and Resource Development	1,529	1,509	1,479	1.3%	3.4%
Justice and Other Expenditures	1,003	1,065	951	(5.8%)	5.5%
Debt Servicing Costs	766	803	806	(4.6%)	(5.0%)
TOTAL EXPENDITURE	12,681	12,455	12,157	1.8%	4.3%
Restatement Adjustment	-	(8)	(8)		
SUMMARY NET INCOME	48	316	96		

NOTES:

- The 2008/09 Budget numbers originally presented in the 2008 Budget Address have been restated to be consistent with the current presentation for the Government Reporting Entity.
- Details of Expenditures and Revenue for Fiscal Year 2009/10, and a reconciliation to the amounts reported for Core Government are found in Schedules 1 and 2.
- The restatement adjustment in 2008/09 is the net impact of a change in accounting policy in Core Government to more appropriately reflect tangible capital assets related to Northern Affairs communities and a new asset class of highway rehabilitation. Infrastructure projects of the Northern Affairs communities that were previously funded though capital grants – $(5) million – will now use capital authority for their projects and record the assets in 2009/10. As well, some road and highway improvement projects that were previously recorded as operating expenditures – $(7) million – will be funded through Part B – Capital Investment to more appropriately account for the projects as tangible capital assets. The interest and amortization costs of $4 million related to these projects has been added.
- Information on the structure of the Summary Budget may be found in Appendix 2.
- The 2008/09 Forecast is based on the Third Quarter Financial Report.
- Numbers may not add due to rounding.

SUMMARY BUDGET 2009/10

Budgeted Summary Net Income for the year is $48 million.

Revenue

Revenue in 2009/10 is projected to decrease $50 million from the 2008/09 Forecast.

Income taxes are projected to decline $123 million, or 4.4%, as both personal and corporation income taxes will be lower due to tax reduction measures and a slowing economy. Budget 2009 projects a $36 million, or 1.1%, decline in Other Taxes. Modest growth in retail sales tax and a $9 million increase in tobacco tax are offset by decreases in corporation capital tax, due to rate reductions, and to mining tax, due to the decline in commodity prices. Fees and Other Revenue is projected to increase $17 million, or 1.1%, and Net Income of Government Business Enterprises (GBEs) is projected to be virtually unchanged, increasing $4 million. Federal Transfers are projected to increase $167 million, or 4.2%, with Equalization remaining flat. A revised formula, announced on November 3, 2008 will limit the growth of the Equalization Program. Health and social transfers are up $33 million, due to program escalators for both the Canada Health Transfer and Canada Social Transfer, as well as population growth. All other transfers, including infrastructure and labour market funding from the 2009 federal budget economic stimulus package, are up $134 million.

Expenditure

Total expenditure is budgeted to increase $226 million, or 1.8%, from the 2008/09 Forecast.

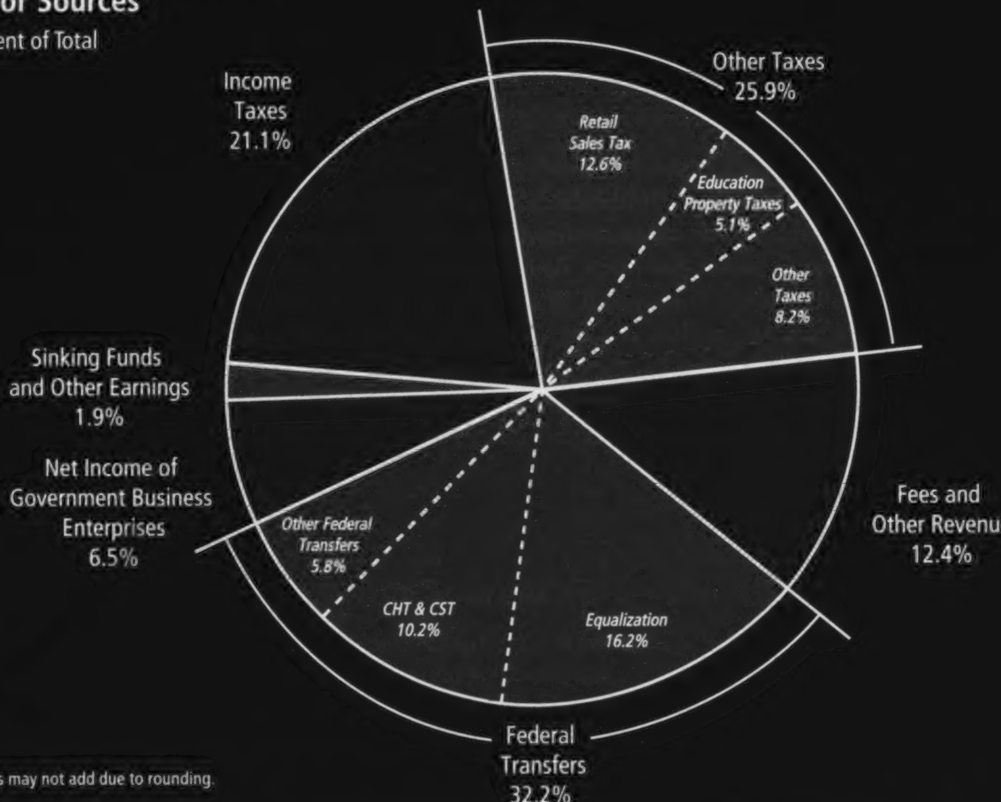
The budgeted growth in Health and Healthy Living expenditure is $140 million, or 3.1%, from the 2008/09 Forecast. Education-related expenditure is increasing by $132 million, or 4.2% from the 2008/09 Forecast. Family Services and Housing expenditure is up $33 million, or 2.4% from the 2008/09 Forecast. Community, Economic and Resource Development expenditure will rise $20 million. Justice and Other Expenditures are expected to decrease by $62 million (including year-end lapse) from the 2008/09 Forecast. Debt Servicing costs are expected to drop by $37 million.*

In Budget 2009, services to people represent 77.1% of spending:

- Health and Healthy Living expenditure makes up 37.2% of total expenditure.
- Education accounts for 25.8% of all expenditure; it includes public schools and post-secondary institutions.
- Family Services and Housing and Justice represent 14.1% of total expenditure.

* Debt Servicing costs are forecast to equal 6.0¢ of every dollar of revenue in 2009/10, down 54.5% from 13.2¢ per dollar in 1999/2000.

Revenue, 2009/10
Major Sources
Per cent of Total



Numbers may not add due to rounding.

Revenue Sources
2009/10 and 2008/09
Millions of Dollars

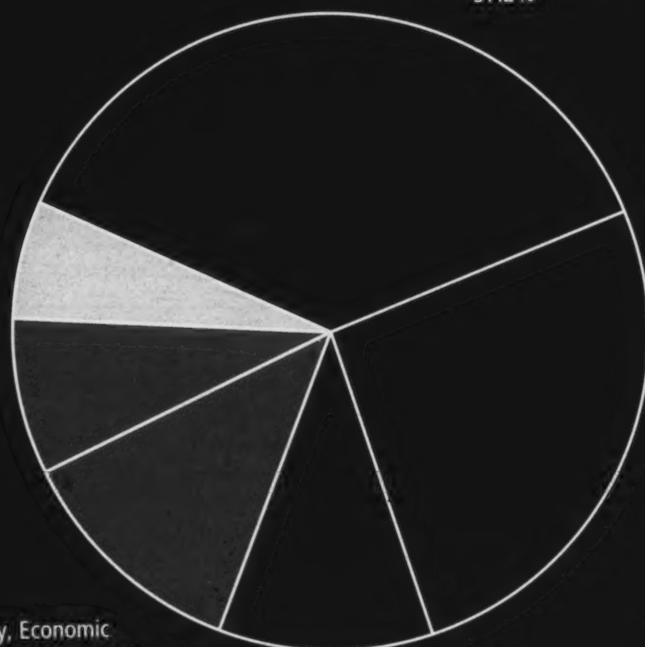
	2009/10 Budget	2008/09 Forecast	Change 2009/10 from 2008/09 Forecast
Income Taxes	2,689	2,812	(123)
Other Taxes	3,293	3,329	(36)
Fees and Other Revenue	1,582	1,565	17
Federal Transfers	4,103	3,936	167
Net Income of Government Business Enterprises	816	812	4
Sinking Funds and Other Earnings	246	325	(79)
TOTAL REVENUE	**12,729**	**12,779**	**(50)**

Numbers may not add due to rounding.

Expenditure, 2009/10

Major Sectors

Per cent of Total



Numbers may not add due to rounding.

Expenditure Sectors

2009/10 and 2008/09

Millions of Dollars

	2009/10 Budget	2008/09 Forecast	Change 2009/10 from 2008/09 Forecast
Health and Healthy Living	4,723	4,583	140
Education	3,270	3,138	132
Family Services and Housing	1,390	1,357	33
Community, Economic and Resource Development	1,529	1,509	20
Justice and Other Expenditures	1,003	1,065	(62)
Debt Servicing Costs	766	803	(37)
TOTAL EXPENDITURE	**12,681**	**12,455**	**226**

Numbers may not add due to rounding.

Schedule 1

Summary Revenue Estimate: Details and Reconciliation to Core Government Estimates

Fiscal Year ending March 31, 2010 (in Thousands of Dollars)

Source of Revenue	CORE GOVERNMENT Revenue Estimates	CONSOLIDATION IMPACTS and Revenue of Other Reporting Entities	SUMMARY
Income Taxes			
Individual Income Tax	2,342,700	-	2,342,700
Corporation Income Tax	346,600	-	346,600
Subtotal: Income Taxes	2,689,300	-	2,689,300
Other Taxes			
Corporation Capital Tax	135,000	-	135,000
Gasoline Tax	130,000	-	130,000
Insurance Corporations Tax	69,500	-	69,500
Land Transfer Tax	46,400	-	46,400
Levy for Health and Education	358,600	-	358,600
Mining Tax	10,000	-	10,000
Motive Fuel Tax	90,500	-	90,500
Retail Sales Tax	1,594,700	-	1,594,700
Tobacco Tax	194,000	-	194,000
Other Taxes	8,876	-	8,876
Education Property Taxes	-	655,481	655,481
Subtotal: Other Taxes	2,637,576	655,481	3,293,057
Fees and Other Revenue			
Fines and Costs and Other Legal	51,848	-	51,848
Minerals and Petroleum	9,594	-	9,594
Automobile and Motor Carrier Licences and Fees	118,025	-	118,025
Parks: Forestry and Other Conservation	33,973	-	33,973
Water Power Rentals	118,502	-	118,502
Service Fees and Other Miscellaneous Charges	121,718	955,288	1,077,006
Revenue Sharing from SOAs	23,880	(23,880)	-
Tuition Fees	-	173,093	173,093
Subtotal: Fees and Other Revenue	477,540	1,104,501	1,582,041
Federal Transfers			
Equalization	2,063,400	-	2,063,400
Canada Health Transfer (CHT)	903,300	-	903,300
Canada Social Transfer (CST)	392,300	-	392,300
Health Funds	13,976	-	13,976
Infrastructure Renewal	135,150	-	135,150
Manitoba Floodway Expansion	77,967	-	77,967
Shared Cost and Other Transfers	195,607	321,520	517,127
Subtotal: Federal Transfers	3,781,700	321,520	4,103,220
Net Income of Government Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	236,200	-	236,200
Manitoba Lotteries Corporation	311,600	-	311,600
Manitoba Hydro	-	265,000	265,000
Workers Compensation Board	-	676	676
Manitoba Public Insurance Corporation	-	2,000	2,000
Subtotal: Net Income of GBEs	547,800	267,676	815,476
Sinking Funds and Other Earnings	-	246,296	246,296
Total Revenue Estimate	10,133,916	2,595,474	12,729,390

Schedule 2

Summary Expenditure Estimate: Details, Reconciliation to Core Government Estimates and Summary Budget Result

Fiscal Year ending March 31, 2010 (in Thousands of Dollars)

Sector/Department	CORE GOVERNMENT Expenditure Estimates	CONSOLIDATION IMPACTS and Expenditures of Other Reporting Entities	SUMMARY
Health and Healthy Living	4,363,709	359,512	4,723,221
Education			
Advanced Education and Literacy	609,074	435,515	1,044,589
Education, Citizenship and Youth	1,474,038	751,720	2,225,758
Total Education	2,083,112	1,187,235	3,270,347
Family Services and Housing	1,256,082	133,904	1,389,986
Community, Economic and Resource Development			
Aboriginal and Northern Affairs	37,684	(741)	36,943
Agriculture, Food and Rural Initiatives	225,709	177,279	402,988
Competitiveness, Training and Trade	149,663	4,092	153,755
Conservation	127,970	(4,116)	123,854
Infrastructure and Transportation	566,151	(109,620)	456,531
Intergovernmental Affairs	231,698	(1,143)	230,555
Science, Technology, Energy and Mines	82,560	8,568	91,128
Water Stewardship	33,876	(850)	33,026
Total Community, Economic and Resource Development	1,455,311	73,469	1,528,780
Justice and Other Expenditures			
Legislative Assembly	37,003	(813)	36,190
Executive Council	2,916	(145)	2,771
Civil Service Commission	6,434	(38)	6,396
Culture, Heritage, Tourism and Sport	88,353	8,318	96,671
Employee Pensions and Other Costs	15,124	134,442	149,566
Finance	103,969	25,826	129,795
Healthy Child Manitoba	28,402	(130)	28,272
Justice	386,807	14,065	400,872
Labour and Immigration	51,379	7,932	59,311
Manitoba Seniors and Healthy Aging Secretariat	1,757	(38)	1,719
Enabling Appropriations	127,908	-	127,908
Other Appropriations	28,500	-	28,500
Less: Year-End Lapse	(65,000)	-	(65,000)
Total Justice and Other Expenditures	813,552	189,419	1,002,971
Debt Servicing Costs	250,150	516,317	766,467
Total Expenditure Estimate	10,221,916	2,459,856	12,681,772
Subtract: Total Expenditure Estimate (above) from Total Revenue Estimate (Schedule 1)	10,133,916	2,595,474	12,729,390
Net Result for the Year	(88,000)	135,618	47,618
Transfer to Debt Retirement Account	(20,000)	20,000	-
Transfer from Fiscal Stabilization Account	110,000	(110,000)	-
NET INCOME	2,000	45,618	47,618

FINANCIAL MANAGEMENT STRATEGY

FINANCIAL MANAGEMENT STRATEGY

The Financial Management Strategy (FMS) sets out the government's priorities for financial management, one or more measurable outcomes for each priority area, and objectives for each measurable outcome for the current year and for the future.

The FMS demonstrates the government's commitment to enhancing transparency and accountability. The first report on outcomes for the FMS in Budget 2007 was released in the fall of 2008. The report on outcomes for the FMS presented in the 2008 Budget will be available in the fall of 2009.

For 2009/10, the FMS will continue with the five priority areas the government set for 2008/09. These areas, and their related measurable outcomes, are summarized below.

FINANCIAL MANAGEMENT PRIORITY	MEASURABLE OUTCOMES
Transparency, Accountability and Fiscal Discipline	• Summary Budgeting and Financial Reporting • Balancing Summary Net Income • Maintaining Accountability for Core Government Program Expenditure and Revenue
Stable and Affordable Government	• Credit Ratings • Expenditures as a Percentage of Gross Domestic Product (GDP) • Addressing the Unfunded Pension Liability
Managing Debt	• Debt Retirement • Net Debt to GDP Ratio
Infrastructure and Capital Asset Renewal	• Capital Investments
Performance Measurement	• Continued Development of Performance Measurement Capacity

PRIORITY AREA: TRANSPARENCY, ACCOUNTABILITY AND FISCAL DISCIPLINE

The government remains committed to continual improvements in transparency and accountability and maintaining sound financial discipline. This commitment has been evident in recent years as we have passed a number of major milestones, including: the achievement of fully Generally Accepted Accounting Principles (GAAP) compliant Summary Financial Statements as of March 31, 2005; the transition to Summary Budgeting and Reporting in 2007/08; the introduction of a FMS in Budget 2007 and the release of the first report on outcomes in the fall of 2008; the development of plans to eliminate general purpose debt and pension liabilities; and in October 2008, *The Balanced Budget, Fiscal Management and Taxpayer Accountability Act* came into effect.

Measurable Outcome: Summary Budgeting and Financial Reporting

Budget 2007 delivered on the commitment to transition to Summary Budgeting and Reporting. The Summary Budget presents comprehensive information on how the Government Reporting Entity (GRE) operates as a whole and what the total cost is of providing programs and services to people in Manitoba. With enactment of the new balanced budget legislation last fall, the year-end financial reporting presented in the 2008/09 Public Accounts will only contain audited Financial Statements for the GRE.

In addition, all financial reporting, including quarterly financial reporting, is being transitioned to a summary basis. During 2008/09 the quarterly financial reports have been revised to include additional information on the GRE and now also include an economic performance review and outlook. The third quarter financial report, for the first time, included an operating statement with the financial results of the GRE for the nine months ending December 31, 2008. The complete transition to having summary quarterly reporting consistent with GAAP is targeted to be in place by the end of 2009/10.

Measurable Outcome: Balancing Summary Net Income

The shift to a Summary Budget presents significant challenges. The GRE is comprised of many organizations over which government does not have day-to-day control. Given the nature of some of the entities in the GRE, the Summary Budget is more volatile than Core Government's budget.

Today we are presenting a budget which has a positive net income on a summary basis of $48 million for 2009/10.

As noted above, updated balanced budget legislation came into force in October 2008 reflecting the shift to summary budgets and financial reporting. The Act requires the government to table a budget for the GRE in the Legislative Assembly by April 30 that projects a positive balance as at the end of that year. For the purposes of the Act, balance is the average of the net results as shown in the audited summary financial statements for each fiscal year within the four-year period ending at that time. The results of applying this formula for the 2009/10 fiscal year is a projected balance of $342 million, therefore Budget 2009 is in compliance with the Act.

Measurable Outcome: Maintaining Accountability for Core Government Program Expenditure and Revenue

To ensure transparency and accountability, the new balanced budget legislation requires the government to include a summary of the Core Government expenditures and projected revenue, consistent with the main estimates of expenditure and revenue for the fiscal year, as part of the FMS. In Budget 2009, Core Government expenditures are fully supported by related Core revenue, including allocations from the Fiscal Stabilization Account for funding advanced by the federal government and for other provincial priorities:

	$ Millions
Revenue	10,134
Expenditure	10,222
	(88)
Transfer to Debt Retirement Account	(20)
Transfer from Fiscal Stabilization Account	110
Net Result	2

Year-end information on Core Government's revenue and expenditure for 2009/10 will be provided as part of the FMS report on outcomes, which will be released in the fall of 2010.

PRIORITY AREA: STABLE AND AFFORDABLE GOVERNMENT

Manitoba continues to have one of the most efficient and cost-effective governments in Canada. Continuous improvements in the way government operates and delivers services help keep Manitoba programs affordable. Providing affordable public services means using public revenues effectively and efficiently to deliver government programs and services. According to Statistics Canada, since 1999/2000 Manitoba's total per capita expenditure growth has been the second lowest of all provincial governments and Manitoba's rank among provinces in total per capita spending has dropped from fifth highest to fourth lowest. In this challenging economic climate, the government will continue to carefully manage programs and services within existing resources.

Measurable Outcome: Credit Ratings

Manitoba continues to maintain its reputation for fiscal responsibility. The Province's measured approach to balancing the budget, paying down debt and the pension liability, and dealing with the needs in health care and other program areas has been acknowledged by credit rating agencies. This performance has been reflected in the credit rating upgrades Manitoba received from Moody's Investors Service and Standard & Poor's. In November 2006, Standard & Poor's revised its outlook on the Province of Manitoba to positive from stable, and then upgraded the credit rating of the Province in December 2007 from AA-(positive) to AA(stable). During this period of international economic and financial instability, Manitoba's stable and diversified economy, strong financial position and commitment to responsible financial management will help ensure a stable credit outlook in 2009.

The Manitoba Government is committed to maintaining fiscal responsibility to achieve stable or improving credit ratings into the future.

Credit Rating Agency	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Projected
DBRS	A(positive)	A(high)	A(high)	A(high)	A(high)	A(high)	A(high)
Moody's	Aa2	Aa2	Aa2	Aa2	Aa1	Aa1	Aa1
Standard & Poor's	AA-	AA-	AA-	AA-	AA-(positive)	AA(stable)	AA(stable)

NOTE: As at March 31 (end of fiscal year)

Measurable Outcome: Expenditures as a Percentage of Gross Domestic Product (GDP)

Maintaining a stable and affordable government means managing the growth in spending to meet increasing demands for quality services in areas such as health, education and training. An effective measure of appropriate spending is the ratio of total expenditures as a percentage of GDP. This ratio has remained relatively stable over the last four years and is budgeted to remain within this range for 2009/10. Expenditures to GDP ratios are reflected in the following table and as part of Appendix 1, Summary Financial Statistics.

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Forecast	2009/10 Budget	2010/11 Projection
Core Government Programs	19.2%	18.7%	18.7%	19.2%	19.4%	18.9%
Other Reporting Entities	3.8%	4.0%	4.2%	3.5%	3.8%	3.7%
Debt Servicing Costs	2.0%	1.7%	1.7%	1.6%	1.5%	1.4%
Total Expenditures	25.0%	24.4%	24.6%	24.3%	24.7%	24.1%

NOTE: Actual numbers for other reporting entities for 2005/06 do not include public schools as this information is not available in a GAAP format. The percentage reflected for 2005/06 would increase if public schools information was included.

Numbers may not add due to rounding.

The Manitoba Government's objective is to maintain a stable or declining ratio over the longer term.

Measurable Outcome: Addressing the Unfunded Pension Liability

In recognition of the need for a long-term strategy to address the pension liabilities, the 2000 Budget introduced a comprehensive approach to address both debt and pension obligations. As a result, the net pension liability of $1.8 billion in Budget 2009 is a reduction of $1.6 billion from the 2004/05 net pension liability of $3.4 billion.

In 2001, we started to pay down the accumulated liability, and in the 2002 Budget we announced our plan to make current service pension contributions for new employees. In Budget 2008, current service pension contributions were extended to all employees for the first time since April 1, 1961. In Budget 2009, this $136 million cost has been allocated to departmental appropriations to better reflect the actual cost of services. The government took further steps in 2007 to deal with the unfunded pension liability by funding 75% of the employer's liability related to the Teachers' Retirement Allowances Fund (TRAF). Budget 2008 continued to address the unfunded pension liability by committing to begin funding the Civil Service Superannuation Fund (CSSF) and Budget 2009 includes a further allocation to CSSF. Borrowing funds to pay down the previously unfunded pension liability is a sound fiscal decision, as over the longer term, the cost of borrowing is less than the actuarially determined expected rate of return on the plan assets and the rate of growth in the pension liability.

Although current market volatility is having a negative impact on the market value of pension assets in recent months, in accordance with GAAP any market losses will be recognized over a period of time. Under GAAP, changes in pension assets and liabilities are accounted for using actuarial estimates. The difference between actual gains and losses and the actuarial estimates are recognized over the employee average remaining service life. Further information on the status of pension plan assets is provided in Budget Paper B – Supplementary Financial Information.

PRIORITY AREA: MANAGING DEBT

Since coming into office, the government has been diligent about implementing specific disciplines to ensure sound fiscal management. These disciplines include: measures to pay down debt, addressing the unfunded pension liability, funding the employer's share of current service pension entitlements and ensuring that for Core Government all capital investments are amortized and all related costs are fully reflected in annual appropriations.

Over the past nine years we have contributed $924 million to the debt retirement account to address general purpose debt and pension obligations with a further payment of $20 million planned for 2009/10. Budget 2009 includes a planned addition of $330 million for CSSF. Budget 2009 also includes $136 million in Core Government expenditures for the employer's share of current service pension obligations.

Based on a projection for Core Government of a total of $4.4 billion in capital asset investments as of March 31, 2009, $1.7 billion of related debt will have been retired through accumulated amortization. The balance is to be repaid over the remaining useful life of those assets. The debt retirement schedule is consistent with the period of amortization which reflects the service life of those assets. A total of $135 million for amortization of capital investment has been included in Core Government for 2009/10.

Measurable Outcome: Debt Retirement

Upon coming into office in 1999 the government established a plan to retire the general purpose debt and to eliminate the pension liability

Direct action taken to address the unfunded pension liability, allocating part of the debt retirement payment to pension obligations and funding the employer's share of current service entitlements for all employees is one component of our strict discipline to ensure sound fiscal management.

A similar discipline is applied to general purpose debt and a portion of the debt retirement payment has been allocated for this purpose over the last nine years. Our strong past investments in infrastructure and our commitment to accelerate infrastructure spending to support the economy through job creation and training opportunities means that borrowing activities for Core Government capital spending will have an impact on debt. However, asset costs are amortized over a set period that represents the useful life of the asset as required by GAAP. Inherent in the process of borrowing to fund the acquisition of assets is the fact that within the province's long term commitment to balance its budget, the set amortization periods result in an orderly retirement of the debt. The end result is increased infrastructure investment for Manitobans, spreading the cost of those assets over their useful life and a strategy which includes a funded retirement plan of that debt.

The government has streamlined debt management, which is reflected not only in our debt retirement plan, but also in the fact that debt servicing costs as a percentage of revenue continues to decline. Since 1999/2000 the debt servicing cost rate has declined by 54.5% from 13.2¢ of every dollar of summary revenue collected to a forecasted level of 6.0¢ for 2009/10.

The Manitoba Government is committed to retiring debt with the ultimate goal of eliminating the general purpose debt and the remaining unfunded pension liabilities. In light of the need to protect vital services, amendments will be introduced to temporarily provide the government more flexibility in making the debt payment required by balanced budget legislation. The decision to modify the payments to the debt retirement account reflects the fiscal and economic reality. For 2009/10 a $20 million payment is projected. The balance that would otherwise have been paid to the debt retirement account has been redirected to address infrastructure, stimulate the economy and create jobs.

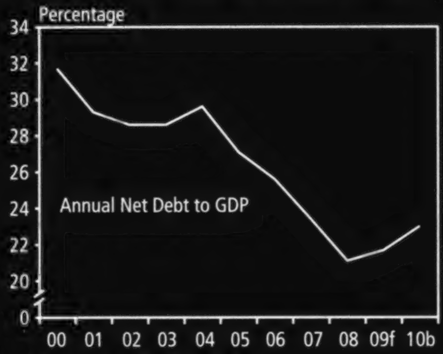
Measurable Outcome: Net Debt to GDP Ratio

Net debt is an important indicator of a government's financial position as this highlights the affordability of future government service. Summary net debt represents the difference between the GRE's total liabilities, such as borrowing and financing, less its financial assets* – it reflects the residual liability that must be financed by future revenues. Net debt may grow in absolute terms from time to time, as needed investments in capital assets – like the Red River Floodway, highway infrastructure and economic stimulus investments – are made. These investments underpin and support Manitoba's economic performance. It is important therefore to measure changes in net debt against the growth of the economy, as measured by the nominal GDP.

* Financial assets are liquid assets such as cash, investments, loans and accounts receivable that could be readily converted to cash.

Over the last several years, the Manitoba Government has seen a substantial downward trend in Net Debt to GDP ratio, lowering the ratio to a projected level of 21.6% in 2008/09 from 31.7% in 1999/2000, while continuously making much needed investments in Manitoba infrastructure. As a result our decision to invest $1.6 billion in 2009/10 in infrastructure projects to create jobs and stimulate the economy, the Net Debt to GDP ratio is forecast to increase to 23.0% in the current year. In February 2009, Moody's acknowledged that all Canadian provinces will likely experience a brief increase in the Net Debt to GDP levels in the short term given the investment on stimulus infrastructure and tightening of revenues. The government remains committed to reducing the Net Debt to GDP ratio over the longer term.

Manitoba Net Debt to GDP Ratio



f - Forecast b - Budgeted
Note: Dates are for the fiscal year ending March 31
Source: Manitoba Finance

PRIORITY AREA: INFRASTRUCTURE AND CAPITAL ASSET RENEWAL

Building and upgrading Manitoba's infrastructure has been a priority for our government since 1999. In November 2008, the government committed to a four-year, $4.7-billion economic stimulus investment plan to fund key infrastructure projects in order to create jobs and training opportunities across the province. The Manitoba Bureau of Statistics estimates that, over four years the $4.7 billion investment will create or maintain approximately 40,000 jobs directly and an additional 34,000 indirect jobs. Budget 2009 supports the added emphasis on our infrastructure plans with planned expenditures of $1.6 billion in the upcoming year. The current plan to accelerate capital spending in the short term is expected to be supported by $135 million in federal economic stimulus funding.

Measurable Outcome: Capital Investments

Since coming to office in 1999, the government has invested in public capital assets, such as new or renewed hospitals, colleges, the Red River Floodway, Manitoba's highway system, and Churchill's deepwater seaport. The government is aware that the renewal will be costly. It is estimated that the insured or replacement value of these investments is over $36 billion.

The Red River Floodway Expansion project at a total cost of $665 million is anticipated to be finished in 2010. This project protects Manitobans from more than $12 billion in potential damages in the event of a major flood.

Budget 2009 provides the resources for upgrading Manitoba's roads and highways, wastewater treatment plants, expanding health facilities across the province, building and restoring much need social housing and modernizing our post-secondary institutions. Budget 2009 includes funding for a multi-million four-year capital program for public schools that will address high need areas in terms of immigration and population change, and will also provide for improvements and renewal of existing facilities. Based on principles of sound financial management, Manitoba has been able to increase the assets of the province while maintaining a sustainable level of debt. To support the accelerated level of infrastructure investment, in 2009/10 instead of providing interest earnings to the fiscal stabilization account, the funds will be used to offset increases in amortization required to support capital expenditures within departments. Major capital expenditure cash flow anticipated in 2009/10 includes:

	$ Millions
Roads and Highways (including preservation)	535
Universities, Colleges and Public Schools	265
Health Facilities	260
Manitoba Floodway Expansion and Water-related Infrastructure	195
Housing (including third party contributions)	173
Assistance to Third Parties	97
Public Service Buildings	80
Parks and Campground Infrastructure	17
	1,622

Manitoba's past and present commitment to infrastructure investments and renewal of existing assets, while maintaining a fiscally responsible approach to budgeting and debt management will continue to deliver benefits to Manitobans.

■ PRIORITY AREA: PERFORMANCE MEASUREMENT

Improving the way government measures on both financial and non-financial performance outcomes enhances both transparency and accountability. Outcomes-based reporting provides information on the actual impacts, benefits or changes experienced as a result of a program or government service.

Measurable Outcome: Continued development of performance measurement capacity

Manitoba is committed to continuing progress on the measurement of performance outcomes.

The 2008 Financial Management Strategy identified the eight principles which guide measurement and reporting for the government departments and major Crown corporations:

1. The organization's public purpose is explained.
2. The organization's priorities relate to overall government priorities.
3. Each organizational priority has objectives and actions to achieve them.
4. Measures are developed with outcomes in mind, focusing on a few critical aspects of performance.
5. Financial and non-financial information are linked.
6. The strategic context for the plan and reported results is discussed.
7. Performance information looks forward and backward in time.
8. Information is clear, relevant, credible and balanced.

The statement of overall government priorities will be updated in mid-April. Key performance measures will continue to be included in every government department's annual report. Performance reporting information is also included in the annual reports, and various specialized reports, of many other entities in the GRE.

In 2009/10, Manitoba will work toward increasing departmental capacity to measure, monitor, and evaluate effectiveness and efficiency of programs. Initial steps will include development of workshops on performance measurement for government staff and establishment of a performance measurement network to build a community of practice within government.

PROVINCIAL OUTLOOK

Summary Budget Outlook

	2008/09 Forecast	2009/10 Budget	2010/11 Projection
		Millions of Dollars	
REVENUE			
Core Government [1]	10,113	10,134	10,409
Net Income of Government Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	227	236	244
Manitoba Lotteries Commission	303	312	321
Manitoba Hydro	314	265	184
Workers Compensation Board	(32)	1	4
Manitoba Public Insurance Corporation	0	2	2
Subtotal	812	816	755
Less: Consolidation Adjustment	(530)	(548)	(565)
Net Contribution of GBEs	282	268	190
Other Reporting Entities	2,384	2,327	2,376
TOTAL REVENUE	12,779	12,729	12,975
EXPENDITURE			
Core Government Programs and Services	10,091	10,222	10,428
Other Reporting Entities	2,364	2,459	2,513
TOTAL EXPENDITURE	12,455	12,681	12,941
Restatement Adjustment	(8)		
SUMMARY NET INCOME	316	48	34
Balance under Balanced Budget Legislation	424	342	244

Numbers may not add due to rounding.

NOTES:

[1] Core Government revenue includes net income of Manitoba Lotteries Corporation and Manitoba Liquor Control Commission; that income is eliminated in the Consolidation Adjustment.

*Revenue and expenditure projections for GBEs and Other Reporting Entities are based on information provided by the entities.

Fiscal projections beyond 2010/11 have become subject to a very high degree of uncertainty due to the current volatility in both the global and national economic outlooks.

APPENDIX 1
MANITOBA SUMMARY FINANCIAL STATISTICS

Manitoba Summary Financial Statistics

	2009/10 Budget	2008/09 Forecast	2007/08 Actual	2006/07 Actual	2005/06 Actual	2004/05 Actual
			(Millions of Dollars)			
SUMMARY FINANCIAL STATEMENTS						
Revenue						
Income Taxes	2,689	2,812	2,652	2,441	2,322	2,244
Other Taxes	3,293	3,329	3,288	3,129	2,285	2,219
Fees and Other Revenue	1,582	1,565	1,619	1,493	1,552	1,398
Federal Transfers	4,103	3,936	3,597	3,320	3,103	3,156
Net Income (Loss) of Government Business Enterprises	816	812	946	627	958	679
Sinking Funds and Other Earnings	246	325	335	375	505	444
Total Revenue	12,729	12,779	12,437	11,385	10,725	10,140
Expenditure						
Health and Healthy Living	4,723	4,583	4,224	3,956	3,809	3,560
Education	3,270	3,138	3,218	2,948	2,291	2,309
Family Services and Housing	1,390	1,357	1,224	1,142	1,075	1,020
Community, Economic and Resource Development	1,529	1,509	1,406	1,280	1,526	1,169
Justice and Other General Expenditures	1,003	1,065	974	829	820	755
Debt Servicing Costs	766	803	815	745	810	765
Total Expenditure	12,681	12,455	11,861	10,900	10,331	9,578
Restatement Adjustment		(8)				
Summary Net Income/(Loss)	48	316	576	485	394	562
Provincial Borrowings, Guarantees & Obligations						
General Government Programs	6,305	6,316	6,383	6,564	6,583	6,594
General Government Programs - Pension Liability	2,180	1,850	1,500	0	0	0
Manitoba Hydro	8,247	7,556	6,796	6,636	6,524	6,615
Other Crown Organizations	1,451	1,291	1,269	1,279	1,272	1,340
Health Facilities	1,054	892	833	790	767	739
Government Enterprises and Other	69	79	92	150	163	173
Capital Investments	1,861	1,411	1,084	749	464	363
Subtotal	21,167	19,395	17,957	16,168	15,773	15,824
Other Obligations						
Pension Liability	4,667	4,556	4,451	4,159	3,967	3,761
Pension Asset Fund	(2,889)	(2,599)	(2,242)	(699)	(537)	(382)
Net Pension Liability	1,778	1,957	2,209	3,460	3,430	3,379
Debt incurred for and repayable by the Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation	(8,040)	(7,320)	(6,619)	(6,163)	(6,276)	(6,215)
Education and Health Debt held by Government Enterprises	404	416	416	383	339	324
Other Debt of Crown Organizations	260	260	258	221	243	173
Subtotal	(5,598)	(4,687)	(3,736)	(2,099)	(2,264)	(2,339)
Total Summary Borrowings, Guarantees & Obligations	15,569	14,708	14,221	14,069	13,509	13,485
Adjustments to arrive at Summary Net Debt						
Guarantees	(402)	(402)	(352)	(675)	(491)	(660)
Net Financial Assets	(3,358)	(3,206)	(3,681)	(2,929)	(2,433)	(2,102)
Summary Net Debt	11,809	11,100	10,188	10,465	10,585	10,723
Summary Net Debt as percentage of GDP	23.0	21.6	21.1	23.4	25.6	27.1

Numbers may not add due to rounding.

NOTES

- Actual numbers for summary expenditures for 2005/06 and earlier do not include public schools as this information is not available in a GAAP format. The above results and the statistics associated with these results would change if public schools were included.
- The 2008/09 Forecast is based on the Third Quarter Financial Report.
- Historical information has been restated to be consistent with changes in accounting policies.

Manitoba Summary Financial Statistics

	2009/10 Budget	2008/09 Forecast	2007/08 Actual	2006/07 Actual	2005/06 Actual	2004/05 Actual
			(Percentage Change)			
Annual Change						
Income Taxes	(4.4)	6.0	8.6	5.1	3.5	11.7
Other Taxes[1]	(1.1)	1.2	5.1	36.9	3.0	7.4
Fees and Other Revenue	1.1	(3.3)	8.4	(3.8)	11.0	8.7
Federal Transfers	4.2	9.4	8.3	7.0	(1.7)	16.2
Total Revenue	(0.4)	2.7	9.2	6.2	5.8	19.4
Health and Healthy Living	3.1	8.5	6.8	3.9	7.0	4.5
Education	4.2	(2.5)	9.2	28.7	(0.8)	6.5
Debt Servicing Costs	(4.6)	(1.5)	9.4	(8.0)	5.9	(4.3)
Total Expenditure	1.8	5.0	8.8	5.5	7.9	5.6
Summary Net Debt	6.4	9.0	(2.6)	(1.1)	(1.3)	(3.0)
			(Per cent)			
Per cent of GDP						
Income Taxes	5.2	5.5	5.5	5.5	5.6	5.7
Other Taxes[1]	6.4	6.5	6.8	7.0	5.5	5.6
Fees and Other Revenue	3.1	3.1	3.4	3.3	3.7	3.5
Federal Transfers	8.0	7.7	7.5	7.4	7.5	8.0
Total Revenue	24.8	24.9	25.8	25.5	25.9	25.7
Health and Healthy Living	9.2	8.9	8.8	8.8	9.2	9.0
Education	6.4	6.1	6.7	6.6	5.5	5.8
Debt Servicing Costs	1.5	1.6	1.7	1.7	2.0	1.9
Total Expenditure	24.7	24.3	24.6	24.4	25.0	24.2
Summary Net Debt	23.0	21.6	21.1	23.4	25.6	27.1
Per cent of Revenue						
Income Taxes	21.1	22.0	21.3	21.4	21.7	22.1
Other Taxes[1]	25.9	26.1	26.4	27.5	21.3	21.9
Fees and Other Revenue	12.4	12.2	13.0	13.1	14.5	13.8
Federal Transfers	32.2	30.8	28.9	29.2	28.9	31.1
Net Income (Loss) of Government Business Enterprises	6.4	6.4	7.6	5.5	8.9	6.7
Sinking Funds and Other Earnings	1.9	2.5	2.7	3.3	4.7	4.4
			(Dollars)			
Dollars Per Capita						
Total Revenue	10,474	10,578	10,419	9,614	9,101	8,639
Total Expenditure	10,434	10,310	9,937	9,205	8,767	8,160
Debt Servicing Costs	631	666	684	630	688	653
Summary Net Debt	9,717	9,188	8,535	8,837	8,982	9,136
Memorandum Items						
Population (000's) *	1,215.2	1,208.0	1,193.5	1,184.0	1,178.3	1,173.6
GDP at Market Prices	51,429	51,275	48,225	44,728	41,402	39,499

Source: Manitoba Finance

* official population July 1

[1] Other Taxes for 2005/06 and earlier do not include property taxes charged by public school divisions.

APPENDIX 2
SUMMARY BUDGET USER'S GUIDE

INTRODUCTION

This document guides readers through the format of the Manitoba Budget. It includes three components: a general explanation of the structure of the Summary Budget, Annotated Summary Budget and Schedules, and a list of Frequently Asked Questions.

Schedule 1 (Summary Revenue Estimate) and Schedule 2 (Summary Expenditure Estimate) consolidate the Estimates of Expenditure and Revenue of Core Government with high level projections of expenses and revenues of the Other Reporting Entities of the GRE to produce the Summary Budget.

Although the additional revenues and expenses of entities such as universities, public schools and government business enterprises are now included in the Summary Budget, the existing relationship between the government and the related entities does not change. Governance of these organizations and their relationships with government are not affected by the Summary Budget process.

STRUCTURE OF THE SUMMARY BUDGET

The Summary Budget presents a high-level overview of revenue and expenditure of the entire GRE.

In the Summary Budget, Revenue is reported under six categories.

- Income Taxes – are entirely revenue of Core Government;
- Other Taxes – includes the Retail Sales Tax and all of the other tax revenues of Core Government as well as property taxes levied to support school funding;
- Fees and Other Revenue – includes fees such as automobile licences, park and forestry fees, and fees collected by Crown organizations such as fees for non-insured health services and rental revenue for Manitoba Housing and Renewal Corporation (MHRC). Tuition fees collected by universities and colleges are also included in this category;
- Federal Transfers – Equalization, Canada Health Transfer, Canada Social Transfer, and other grants and transfers are mostly received by Core Government, although some federal funds are provided directly to entities not included in Core Government, such as housing subsidies to MHRC, insurance premiums for agriculture programs and grants for public education. Federal transfers include funding from the 2009 federal budget for economic stimulus related to infrastructure and labour market development/training initiatives;
- Net Income of Government Business Enterprises (GBEs) – This represents the net income of all GBEs. This income is added to the summary financial statements on a modified equity basis and includes the income of Manitoba Lotteries and the Manitoba Liquor Control Commission whose net income continues to be recorded as revenue of Core Government;
- Sinking Funds and Other Earnings – these are interest and other investment earnings on sinking funds and other investments held by Core Government and Other Reporting Entities. For Core Government Estimates purposes investment revenue is netted against debt servicing costs.
- In the Summary Budget, Expenditure has been classified by major sectors. See Appendix 3 for a list of the entities in the GRE.
- Health and Healthy Living – represents all health-related expenditures including the activities of the Department of Health and Healthy Living, all Regional Health Authorities, hospitals and other health-related entities in the GRE;
- Education – represents costs associated with all primary, secondary and post-secondary education including the operations of universities and colleges, and includes the activities of the Department of Advanced Education and Literacy and the

Department of Education, Citizenship and Youth. Also includes additional funding for teachers' pensions and programs funded by other sources;

- Family Services and Housing – includes all costs related to social service and housing programs, including the activities of the Department of Family Services and Housing;
- Community, Economic and Resource Development – includes expenditures related to infrastructure and other government services, including the activities of the Departments of Aboriginal and Northern Affairs; Agriculture, Food and Rural Initiatives; Competitiveness, Training and Trade; Conservation; Infrastructure and Transportation; Intergovernmental Affairs; Science, Technology, Energy and Mines; and Water Stewardship;
- Justice and Other Expenditures – includes costs for Justice services and the activities of the Legislative Assembly; Executive Council; Civil Service Commission; Department of Culture, Heritage, Tourism and Sport; Employee Pensions and Other Costs; Department of Finance; Healthy Child Manitoba; Department of Justice; Department of Labour and Immigration; and Manitoba Seniors and Healthy Aging Secretariat;
- Debt Servicing – contains the cost of interest and related expenses for the Teachers' Retirement Allowances Fund (TRAF), the Civil Service Superannuation Fund (CSSF), capital funding, and general purpose borrowings associated with all provincial summary borrowings, excluding debt servicing costs for debt incurred and repayable by Manitoba Hydro and Manitoba Lotteries. Debt servicing costs related to those borrowings are reflected in the net income of GBEs.

Summary Net Income is the "bottom line" – the result after Expenditure is subtracted from Revenue. This represents the GRE's financial result for the fiscal year.

ANNOTATED SUMMARY BUDGET

The Summary Budget includes the revenue and expenditure of the entities in the GRE. Amounts are adjusted on consolidation to avoid counting the same revenue or expenditure twice.

SUMMARY BUDGET
For the Fiscal Year ending March 31, 2010
With Comparative Data for the year ending March 31, 2009

	2009/10 Budget	2008/09 Forecast	2008/09 Budget
		(Millions of Dollars)	
REVENUE			
Income Taxes	2,689	2,812	2,611
Other Taxes	3,293	3,329	3,321
Fees and Other Revenue	1,582	1,565	1,478
Federal Transfers	4,103	3,936	3,905
Net Income of Government Business Enterprises	816	812	668
Sinking Funds and Other Earnings	246	325	278
TOTAL REVENUE	12,729	12,779	12,261
EXPENDITURE			
Health and Healthy Living	4,723	4,583	4,469
Education	3,270	3,138	3,132
Family Services and Housing	1,390	1,357	1,320
Community, Economic and Resource Development	1,529	1,509	1,479
Justice and Other Expenditures	1,003	1,065	951
Debt Servicing Costs	766	803	806
TOTAL EXPENDITURE	12,681	12,455	12,157
Restatement Adjustment		(8)	(8)
SUMMARY NET INCOME	48	316	96

includes school property taxes

includes University and College tuition fees

Most Federal Transfers are received by Core Government but some Entities also receive Federal Transfers or cost-shared payments directly.

includes all expenditures of Departments of Education, Citizenship and Youth, Advanced Education and Literacy, and K-12 public schools, colleges and universities

This includes all health-related expenditures of the Department of Health and Healthy Living, hospitals, Regional Health Authorities and other health-related entities.

The revenue and expenditure of Other Reporting Entities are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles that differ from Core Government's. In those cases data for the closest fiscal year-end date to Core Government's own year-end date is used.

ANNOTATED SUMMARY REVENUE ESTIMATE: DETAILS AND RECONCILIATION TO CORE GOVERNMENT ESTIMATES

Schedule I – groups individual revenue sources under six categories, showing the contributions of Core Government and the impact of consolidating Core Government and Other Reporting Entities.

Category headings match those in the Summary Budget

Similar types of revenue may be received by Core Government and Reporting Entities (e.g. Service Fees, and Shared-Cost Transfers).

Schedule 1

Summary Revenue Estimate: Details and Reconciliation to Core Government Estimates

Fiscal Year ending March 31, 2010 (in Thousands of Dollars)

Source of Revenue	CORE GOVERNMENT Revenue Estimates	CONSOLIDATION IMPACTS and Revenue of Other Reporting Entities	SUMMARY
Income Taxes			
Individual Income Tax	2,342,700		2,342,700
Corporation Income Tax	346,600		346,600
Subtotal: Income Taxes	2,689,300		2,689,300
Other Taxes			
Corporation Capital Tax	135,000		135,000
Gasoline Tax	130,000		130,000
Insurance Corporations Tax	69,500		69,500
Land Transfer Tax	46,400		46,400
Levy for Health and Education	358,600		358,600
Mining Tax	10,000		10,000
Motive Fuel Tax	90,500		90,500
Retail Sales Tax	1,594,700		1,594,700
Tobacco Tax	194,000		194,000
Other Taxes	8,876		8,876
Education Property Taxes		655,481	655,481
Subtotal: Other Taxes	2,637,576	655,481	3,293,057
Fees and Other Revenue			
Fines and Costs and Other Legal	51,848		51,848
Minerals and Petroleum	9,594		9,594
Automobile and Motor Carrier Licences and Fees	118,025		118,025
Parks: Forestry and Other Conservation	33,973		33,973
Water Power Rentals	118,502		118,502
Service Fees and Other Miscellaneous Charges	121,718	955,288	1,077,006
Revenue Sharing from SOAs	23,880	(23,880)	-
Tuition Fees		173,093	173,093
Subtotal: Fees and Other Revenue	477,540	1,104,501	1,582,041
Federal Transfers			
Equalization	2,063,400		2,063,400
Canada Health Transfer (CHT)	903,300		903,300
Canada Social Transfer (CST)	392,300		392,300
Health Funds	13,976		13,976
Infrastructure Renewal	135,150		135,150
Manitoba Floodway Expansion	77,967		77,967
Shared Cost and Other Transfers	195,607	321,520	517,127
Subtotal: Federal Transfers	3,781,700	321,520	4,103,220
Net Income of Government Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	236,200		236,200
Manitoba Lotteries Corporation	311,600		311,600
Manitoba Hydro		265,000	265,000
Workers Compensation Board		676	676
Manitoba Public Insurance Corporation		2,000	2,000
Subtotal: Net Income of GBEs	547,800	267,676	815,476
Sinking Funds and Other Earnings		246,296	246,296
Total Revenue Estimate	10,133,916	2,595,474	12,729,390

The revenue and expenditure of Other Reporting Entities are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles that differ from Core Government's. In those cases data for the closest fiscal year-end date to Core Government's own year-end date is used.

ANNOTATED SUMMARY EXPENDITURE ESTIMATE: DETAILS, RECONCILIATION TO CORE GOVERNMENT ESTIMATES AND SUMMARY BUDGET RESULT

Schedule 2 – groups expenditures in six sectors. It shows Core Government Expenditure Estimates, Consolidation Impacts to avoid double counting of expenditures, and the additional expenditure of Other Reporting Entities, which is not financed by Core Government.

Expenditure of Other Reporting Entities is spending financed through sources other than Core Government.

Expenditure presented to the Legislative Assembly for approval

Category headings match those in the Summary Budget

Spending of Other Reporting Entities is shown alongside Estimates of Expenditure for the related Department of Core Government.

Schedule 2

Summary Expenditure Estimate: Details, Reconciliation to Core Government Estimates and Summary Budget Result

Fiscal Year ending March 31, 2010 (in Thousands of Dollars)

Sector/Department	CORE GOVERNMENT Expenditure Estimates	CONSOLIDATION IMPACTS and Expenditures of Other Reporting Entities	SUMMARY
Health and Healthy Living	4,363,709	359,512	4,723,221
Education			
Advanced Education and Literacy	609,074	435,515	1,044,589
Education, Citizenship and Youth	1,474,038	751,720	2,225,758
Total Education	2,083,112	1,187,235	3,270,347
Family Services and Housing	1,256,082	133,904	1,389,986
Community, Economic and Resource Development			
Aboriginal and Northern Affairs	37,684	(741)	36,943
Agriculture, Food and Rural Initiatives	225,709	177,279	402,988
Competitiveness, Training and Trade	149,663	4,092	153,755
Conservation	127,970	(4,116)	123,854
Infrastructure and Transportation	566,151	(109,620)	456,531
Intergovernmental Affairs	231,698	(1,143)	230,555
Science, Technology, Energy and Mines	82,560	8,568	91,128
Water Stewardship	33,876	(850)	33,026
Total Community, Economic and Resource Development	1,455,311	73,469	1,528,780
Justice and Other Expenditures			
Legislative Assembly	37,003	(813)	36,190
Executive Council	2,916	(145)	2,771
Civil Service Commission	6,434	(38)	6,396
Culture, Heritage, Tourism and Sport	88,353	8,318	96,671
Employee Pensions and Other Costs	15,124	134,442	149,566
Finance	103,969	25,826	129,795
Healthy Child Manitoba	28,402	(130)	28,272
Justice	386,807	14,065	400,872
Labour and Immigration	51,379	7,932	59,311
Manitoba Seniors and Healthy Aging Secretariat	1,757	(38)	1,719
Enabling Appropriations	127,908		127,908
Other Appropriations	28,500		28,500
Less: Year-End Lapse	(65,000)		(65,000)
Total Justice and Other Expenditures	813,552	189,419	1,002,971
Debt Servicing Costs	250,150	516,317	766,467
Total Expenditure Estimate	10,221,916	2,459,856	12,681,772
Subtract: Total Expenditure Estimate (above) from Total Revenue Estimate (Schedule 1)	10,133,916	2,595,474	12,729,390
Net Result for the Year	(88,000)	135,618	47,618
Transfer to Debt Retirement Account	(20,000)	20,000	
Transfer from Fiscal Stabilization Account	110,000	(110,000)	
NET INCOME	2,000	45,618	47,618

The revenue and expenditure of Other Reporting Entities are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles that differ from Core Government's. In those cases data for the closest fiscal year-end date to Core Government's own year-end date is used.

FREQUENTLY ASKED QUESTIONS

Q1 What is a Summary Budget?

A A Summary Budget is a comprehensive picture of Core Government expenditure and revenue together with high-level projections for the operations of Crown organizations, government business entities and public sector organizations such as regional health authorities, school divisions, universities and colleges.

It is called a Summary Budget because the revenue and expenditure of general program and departmental operations of the government – the services of government usually associated with the Legislature – and the additional functions that are indirectly controlled by the provincial government, such as public schools and universities, are consolidated.

For example, public school expenditures paid for by school division property taxes and provincial support payments are shown together in one sum. This approach allows taxpayers to see the total cost of providing public school services.

Q2 How can I tell how much the government raises as revenue and plans to spend on Core Government programs and services?

A Details of Core Government expenditure and revenue are presented in the Estimates of Expenditure and Revenue tabled in the Legislature. The Summary Budget and the Estimates both contain reconciliation schedules (Schedule 1 for Revenue, Schedule 2 for Expenditure), to help the reader move between the Summary Budget and the Estimates.

Q3 What entities are included in the Summary Budget and where can I get more information about their plans for 2009/10?

A A listing of all the entities in the Government Reporting Entity (GRE) is included in the Summary Budget as Appendix 3. The Summary Budget combines the Estimates of Expenditure and Revenue for Core Government with high-level projections for other reporting entities. Questions about financial information of other reporting entities should be directed to the appropriate entity.

Q4 As the additional revenues and expenses of universities and health authorities, for example, are now reported in the provincial budget, will that change the government's relationship with those institutions?

A The government does not intend, or have the statutory authority, to manage the day-to-day operations of these entities. The normal governance relationships between the government and these entities, and between the entities and their Boards and stakeholders, are not affected by the Summary Budget process, other than that the entities must provide financial information on a regular basis.

Q5 As Manitoba's Budget is now presented for the GRE, will the government use the revenues of other reporting entities to pay for Core Government operations?

A In the same way that the transition to a Summary Budget does not affect the governance relationships between other reporting entities and government, it also does not change the way in which Core Government operations will be funded. Under the Summary Budget, only revenue from those Crown entities that has traditionally been used to support government programs and services (Manitoba Lotteries Corporation, Manitoba Liquor Control Commission and the Special Operating Agencies established by government) will continue to be used to pay for Core Government operations.

Q6 If the government is not controlling the other reporting entities directly, why does the government combine their revenue and expenses with its own in the Summary Budget?

A The Manitoba Government is acting on the recommendations of the Office of the Auditor General for Manitoba. Generally Accepted Accounting Principles and the Public Sector Accounting Board (PSAB) standards for senior Canadian governments require provincial, territorial and federal governments to prepare their annual financial statements on this basis. The Manitoba Government is presenting its Summary Budget in the same general format as its year-end financial reports to make it easier to compare plans and results.

Q7 How do Core Government and Summary expenses differ?

A Core Government expenses reflect the departmental expenditure estimates of the Manitoba Government that are presented and approved by the Legislative Assembly. These expenditures include grants to other reporting entities. The summary expenditures include incremental expenses of other reporting entities that are financed from sources other than Core Government. The summary total reflects the total cost of the service provided, under the various sectors, that are financed by Core Government and the other reporting entities.

Q8 How does the Summary Budget treat pension liabilities?

A The pension liability is recorded in full in the Summary Financial Statements and therefore changes in this liability are reflected in the Summary Budget. The pension expenses include amounts that are funded through the appropriations of Core Government as well as summary adjustments for actuarially determined increases in the value of the outstanding pension liability. Pension expenses related to Teachers' Retirement Allowances Fund are included in the Education sector.

Q9 What is meant by Consolidation Impacts?

A Consolidation Impacts are adjustments needed to bring the revenue and expenditure of the other reporting entities into the Summary Budget. They include adjustments needed to present the information on a consistent basis and to eliminate transactions between entities in the GRE, to avoid duplicating revenues and expenses in the summary result (e.g. a government grant is counted as an expenditure of Core Government and is eliminated from the revenue of the Other Reporting Entity).

Q10 What is Other Comprehensive Income (OCI) and how does it impact the Province's Summary results?

A OCI applies to certain Other Reporting Entities (OREs), and represents **unrealized** gains or losses in fair market value of financial instruments, such as investments held for sale or debt held in a foreign currency. Changes in OCI are based upon "mark-to-market" variances at year end and therefore are a one-day snapshot of the change in value when compared to the same day in the previous year. Because OCI represents an unrealized gain or loss, it does not impact an OREs annual operating results, and therefore, does not impact the Province's Summary Net Income. However, OCI does impact the balance sheet, and therefore will impact the Province's Net Debt and Net Debt to GDP.

When the underlying investments are sold, or when the foreign held debt is retired, OCI gains or losses are realized, which will correspondingly impact an OREs net income and therefore the Province's Summary Net Income.

GLOSSARY OF KEY TERMS

Borrowings: Borrowings are securities issued in the name of the Province to capital markets investors. Securities include debentures, treasury bills, promissory notes, medium-term notes and Manitoba Savings Bonds.

Consolidation Impacts: The adjustments needed to bring the revenue and expenditure of the Other Reporting Entities into the Summary Budget, and to eliminate transactions between entities to avoid duplication of revenues and expenses (e.g. a government grant is counted as an expenditure of Core Government and is eliminated from the revenue of the Other Reporting Entity).

Core Government: A component of the GRE. Represents the operations of government, including the revenues directly under government's control, and the programs and services delivered by government departments.

Crown Organization: An organization in the GRE that is wholly owned or established by government, such as a Crown corporation (e.g. Manitoba Agricultural Services Corporation).

Debt Servicing Cost: Interest and other expenses associated with provincial borrowings.

Fair Market Value: Represents the value obtainable for an asset, financial or non-financial, if disposed of on the open market.

Federal Recoveries and Transfers: Revenues that are either received or receivable from the federal government.

Financial Assets: Assets of the Province such as cash, investments, loans and accounts receivable that could be readily converted to cash in order to pay the Province's liabilities or finance its future operations.

Generally Accepted Accounting Principles (GAAP): Standard accounting practices and reporting guidelines as prescribed by The Canadian Institute of Chartered Accountants.

General Purpose Debt: General program borrowings including any provincial securities that are not self-sustaining, or are not associated with the acquisition of capital assets.

Government Business Enterprises (GBEs): A Crown organization delegated with the financial and operating authority to carry on a business. It sells goods or services to individuals and organizations outside the GRE and can maintain its business on those revenues.

Government Reporting Entity (GRE): Includes Core Government and Crown organizations, government business entities and public sector organizations such as regional health authorities, school divisions, universities and colleges.

Gross Domestic Product (GDP): Represents the total market value of all final goods and services produced in the Manitoba economy.

Guarantees: The Province, in the normal course of business, may provide a guarantee to honour the repayment of debt or loans of an organization, primarily GBEs. Such a guarantee is provided on the Manitoba Hydro Savings Bonds.

Infrastructure Assets: A subset of tangible capital assets that are used by the general public, such as parks, highways and water control structures.

Net Debt to GDP Ratio: The ratio of government net debt relative to the total market value of all final goods and services produced in the Manitoba economy. Net debt represents the total liabilities of the government less its financial assets. It is widely used by credit rating agencies and other analysts to evaluate the financial situation and trends of jurisdictions in regards to their relative creditworthiness.

Net Financial Assets: Assets of the Province (such as cash, investments, loans and accounts receivable) less accounts payable, that could be readily converted to cash in order to pay the Province's liabilities or finance its future operations.

Non-Financial Assets: Includes physical items such as tangible capital assets (e.g. buildings and roads) and consumable goods such as inventories that are not normally converted to cash.

Obligations: Long-term, non-interest-bearing liabilities of the Province, which may or may not carry specific repayment terms.

Other Comprehensive Income (OCI): Other comprehensive income is an accounting recognition of **unrealized** gains and losses in fair market value of financial instruments, such as investments held as available for sale or trading or debt held in a foreign currency. Currently, OCI accounting standards apply only to other reporting entities, except not-for-profit organizations. It is measured as the change in "mark-to-market" valuations, interest rates, or foreign exchange rates at year end, and therefore is a one-day snapshot of the change in value when compared to the same day in the previous year.

Other Reporting Entities: Entities in the GRE such as Crown organizations, government business entities and public sector organizations such as regional health authorities, school divisions, universities and colleges that are directly or indirectly controlled by the Government, as prescribed by PSAB – excludes Core Government.

Pension Assets Fund: Financial assets that are set aside to provide for the orderly retirement of the government's pension obligations.

Pension Liability: Outstanding actuarial-calculated pension liability of the government and participating Crown organizations. The expense includes amounts funded through the appropriations of Core Government as well as for the actuarially determined increases in the pension liability.

Public Sector Accounting Board (PSAB): A board established under the Institute of Chartered Accountants responsible for setting accounting standards for the public sector based upon GAAP.

Replacement Value of Assets: Represents the cost of replacing capital assets at current values.

Sinking Funds: Funds that are readily covertable to cash and set aside to provide for the orderly retirement of borrowings as they become due.

Summary Budget: Includes revenue forecasts and expenditure estimates for Core Government as well as high-level projections for the entities directly or indirectly controlled by government, as prescribed by the PSAB.

Summary Net Debt: Represents the total liabilities of the GRE less its financial assets. This is the residual amount that will have to be paid or financed by future revenue.

Tangible Capital Assets: Assets with a useful life extending beyond one year which are acquired, constructed or developed and held for use, not for resale.

APPENDIX 3
ENTITIES INCLUDED IN SUMMARY BUDGET (GOVERNMENT REPORTING ENTITY)

HEALTH AND HEALTHY LIVING

- Manitoba Health and Healthy Living
- Addictions Foundation of Manitoba
- CancerCare Manitoba
- Diagnostic Services of Manitoba Inc.
- Manitoba Health Research Council
- Manitoba Health Services Insurance Plan
- Manitoba Hospital Capital Financing Authority
- Not-for-Profit Personal Care Homes
- Regional Health Authorities (including controlled organizations)
  - Assiniboine Regional Health Authority Inc.
  - Brandon Regional Health Authority Inc.
  - Burntwood Regional Health Authority Inc.
  - Churchill Regional Health Authority Inc.
  - Interlake Regional Health Authority Inc.
  - NOR-MAN Regional Health Authority Inc.
  - North Eastman Health Association Inc.
  - Parkland Regional Health Authority Inc.
  - Regional Health Authority – Central Manitoba Inc.
  - South Eastman Health/Santé Sud-Est Inc.
  - Winnipeg Regional Health Authority
- Rehabilitation Centre for Children Inc.

EDUCATION

Advanced Education and Literacy

- Manitoba Advanced Education and Literacy
- Assiniboine Community College
- Brandon University
- Collège universitaire de Saint-Boniface
- Council on Post-Secondary Education
- Red River College
- University College of The North
- University of Manitoba
- University of Winnipeg

Education, Citizenship and Youth

- Manitoba Education, Citizenship and Youth
- Manitoba Text Book Bureau
- Public Schools Finance Board
- Public School Divisions

FAMILY SERVICES AND HOUSING

Manitoba Family Services and Housing
First Nations of Northern Manitoba Child and Family Services Authority
First Nations of Southern Manitoba Child and Family Services Authority
General Child and Family Services Authority
Métis Child and Family Services Authority
Manitoba Housing and Renewal Corporation

COMMUNITY, ECONOMIC AND RESOURCE DEVELOPMENT

Aboriginal and Northern Affairs

Manitoba Aboriginal and Northern Affairs
Communities Economic Development Fund
Northern Affairs Fund

Agriculture, Food and Rural Initiatives

Manitoba Agriculture, Food and Rural Initiatives
Cooperative Loans and Loans Guarantee Board
Cooperative Promotion Board
Farm Machinery and Equipment Act Fund
Food Development Centre
Horse Racing Commission
Manitoba Agricultural Services Corporation
Veterinary Science Scholarship Fund

Competitiveness, Training and Trade

Manitoba Competitiveness, Training and Trade
Manitoba Development Corporation
Manitoba Opportunities Fund Ltd.
Manitoba Trade and Investment Corporation

Conservation

Manitoba Conservation
Manitoba Habitat Heritage Corporation
Pineland Forest Nursery
Tire Stewardship Board

Infrastructure and Transportation

Manitoba Infrastructure and Transportation
Crown Lands and Property Agency
Manitoba Floodway Authority
Manitoba Trucking Productivity Improvement Fund
Manitoba Water Services Board
Materials Distribution Agency
Vehicle and Equipment Management Agency

Intergovernmental Affairs
Manitoba Intergovernmental Affairs
Community Revitalization Fund

Science, Technology, Energy and Mines
Manitoba Science, Technology, Energy and Mines
Abandonment Reserve Fund
Economic Innovation and Technology Council
Ethanol Fund
Green Manitoba Eco Solutions
Industrial Technology Centre
Manitoba Education, Research and Learning Information Networks (MERLIN)
Mining Community Reserve
Mining Rehabilitation Reserve
Quarry Rehabilitation Reserve

Water Stewardship
Manitoba Water Stewardship

JUSTICE AND OTHER EXPENDITURES

Legislative Assembly
Legislative Assembly

Executive Council
Executive Council

Civil Service Commission
Civil Service Commision
Organization and Staff Development

Culture, Heritage, Tourism and Sport
Manitoba Culture, Heritage, Tourism and Sport
Centre culturel franco-manitobain
Manitoba Arts Council
Manitoba Boxing Commission
Manitoba Centennial Centre Corporation
Manitoba Community Services Council Inc.
Manitoba Film and Sound Recording Development Corporation
Sport Manitoba Inc.
Travel Manitoba
Venture Manitoba Tours Ltd.

Employee Pensions and Other Costs
Pension Assets Fund

Finance

Manitoba Finance
Board of Administration under the Embalmers and Funeral Directors Act
Companies Office
Crown Corporations Council
Insurance Council of Manitoba
Land Titles Assurance Fund
Manitoba Securities Commission
Special Operating Agencies Financing Authority
The Property Registry
Vital Statistics Agency

Healthy Child Manitoba

Healthy Child Manitoba Office

Justice

Manitoba Justice
Civil Legal Services
Helen Betty Osborne Foundation
Legal Aid Manitoba
Manitoba Gaming Control Commission
Manitoba Law Reform Commission
The Public Trustee
Victims Assistance Fund

Labour and Immigration

Manitoba Labour and Immigration
Office of the Fire Commissioner
Workplace Safety Public Education Fund

Manitoba Seniors and Healthy Aging Secretariat

Manitoba Seniors and Healthy Aging Secretariat

GOVERNMENT BUSINESS ENTERPRISES

Leaf Rapids Town Properties Ltd.
Manitoba Hazardous Waste Management Corporation
Manitoba Hydro-Electric Board
Manitoba Liquor Control Commission
Manitoba Lotteries Corporation
Manitoba Product Stewardship Corporation
Manitoba Public Insurance Corporation
Workers Compensation Board

SPECIAL ACCOUNTS, not attached to Sector or Department

Debt Retirement

Fiscal Stabilization

Budget Paper A

THE ECONOMY

Manitoba

THE ECONOMY

Contents

CANADIAN ECONOMY

Canada's economy entered into a recession in the fourth quarter of 2008, contracting at an annualized rate of 3.4% (see Chart 1). Growth is likely to remain negative in the first quarter of 2009. Most economic forecasters expect the current downturn will not ease until later in 2009. Overall, Canada's real Gross Domestic Product (GDP) grew by 0.5% in 2008, down from 2.7% growth in 2007, its slowest growth since 1991.

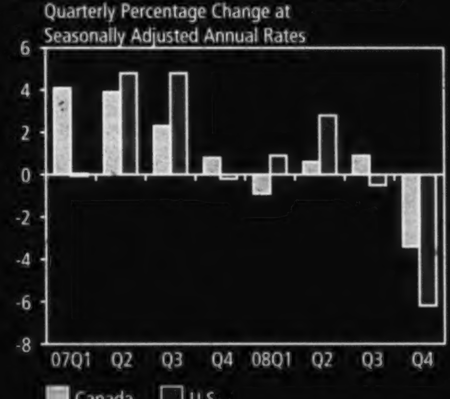
Canada's uneven economic performance in 2008 stemmed largely from significant international economic and financial developments especially in the U.S., Canada's largest export market. According to the National Bureau of Economic Research, the U.S. economy began contracting in early 2008 after a six-year expansion. Real GDP declined by an annualized rate of 0.5% in the third quarter then plummeted in the fourth quarter by 6.2%, the worst quarterly performance since the first quarter of 1982. The financial crisis in the U.S., a collapse of the housing market and significant retrenchment of consumer spending due to the battered labour market and significantly lower confidence all contributed to make the U.S. economic environment one of the most turbulent in a generation. Particularly dramatic has been the large ongoing string of U.S. job losses, as employment declined by 4.4 million between the start of the recession in December 2007 and February 2009.

The financial and economic turmoil in the U.S. has led to a dramatic weakening of global economic growth, with the International Monetary Fund (IMF) and World Bank both projecting world GDP growth in 2009 will be the worst since the Second World War. Recent economic and financial developments are largely unprecedented in modern times, causing considerable uncertainty about the likely severity and potential duration of the recession. The IMF, G20 and other international organizations have called on national governments to both increase fiscal stimulus to boost demand and adopt measures that would facilitate greater financial system liquidity and ease credit market conditions. Many countries, including Canada, have responded to these calls for action. New measures to address credit market difficulties and support growth will continue to be introduced.

The significant deterioration in the Canadian economic situation and outlook prompted the Bank of Canada to cut interest rates sharply throughout 2008. Between December 2007 and March 2009, the Bank of Canada reduced the overnight target rate 400 basis points (bps) to the present historically low level of 0.5%. In large measure, the Bank's actions paralleled those in the U.S., where the U.S. Federal Reserve cut the U.S. Fed Funds rate to 0.25% in December 2008, down 425 bps from December 2007 (see Chart 2).

Chart 1

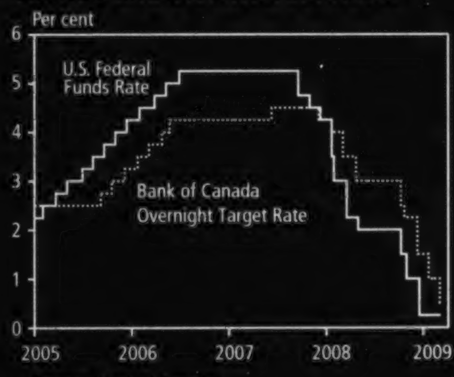
Canada-U.S. Real GDP Growth



Sources: Statistics Canada
U.S. Bureau of Economic Analysis

Chart 2

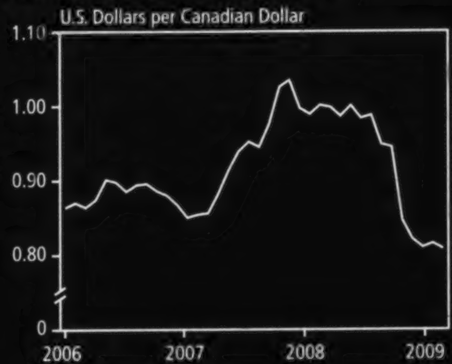
Canada and U.S. Interest Rates



Sources: Bank of Canada
U.S. Federal Reserve

Chart 3

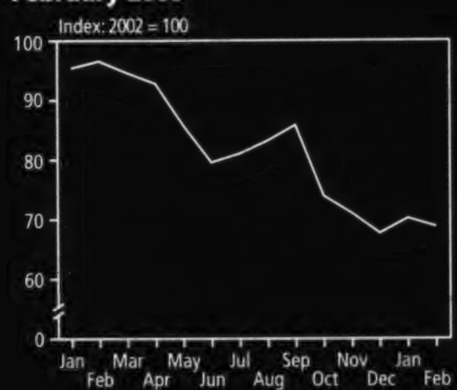
Canada-U.S. Exchange Rate



Source: Bank of Canada

Chart 4

Canadian Index of Consumer Confidence, January 2008 to February 2009



Source: Conference Board of Canada

Collapsing primary commodity prices later in 2008 and falling demand conditions have reduced inflationary pressure in Canada despite these interest rate reductions. Canada's Consumer Price Index (CPI) increased 2.3% in 2008, up marginally from 2007 but within the Bank of Canada's 1-3% target band for CPI inflation.

The volatile global economy in 2008 dominated commodity market conditions as prices for most commodities generally rose through the first half of 2008 then collapsed dramatically in the latter part of the year. Between July 2008 and February 2009, prices have fallen for crude oil by 71%; for natural gas by 53%; for agricultural products by 29%; and for metals and minerals, by 27%. While producers of many of these products enjoyed a strong escalation of commodity prices over the past several years, the speed and severity of the commodity price declines toward the end of last year had a large and negative impact on many primary industries. In particular, capital investment plans for many commodity producers were scaled back dramatically as a number of projects became no longer viable at current price levels.

Falling commodity prices played a significant role in the decline of the Canada-U.S. dollar exchange rate in 2008. From a high of US$1.029 in February 2008, the Canadian currency fell sharply beginning in September, closing 2008 at approximately US$0.82. Overall, the Canadian dollar averaged US$0.938, little changed from 2007 (see Chart 3). This follows several years of strong appreciation in the Canadian currency, with the annual value of the Canadian dollar increasing 46% relative to the U.S. currency between 2002 and 2007.

One of the most dramatic developments in Canada's economy has been the sharp job losses incurred since October 2008. Through to February 2009, employment declined 295,000 jobs, erasing all of Canada's job gains for the previous 14 months and pushing Canada's unemployment rate up to 7.7%, well above the 2008 average of 6.1%. Particularly hard hit was central Canada, where losses in manufacturing employment continued for the fourth consecutive year in 2008.

Uncertainty in the labour market, declining values of personal assets and slowing income growth all had a negative impact on consumer activity last year. Retail sales advanced 3.2%, the weakest growth since 1992. Weakness was more evident near the end of the year with December's decline of 5.4% the largest monthly decline in over 15 years. The number of new motor vehicles sold in Canada declined 0.9% after three consecutive years of growth. Housing starts fell 7.6% to the lowest level in six years. Both the level of residential resales and the average residential resale price in Canada declined last year, with particular weakness in Alberta and Ontario. Canada Mortgage and Housing Corporation projects that housing starts will decline a further

24% in 2009, and residential resales will continue to slide this year, falling 14.6% after a 17.1% decline in 2008.

Led by public sector spending, Canada posted a 5.2% gain in capital investment in 2008. However, private capital investment grew by only 1.6%, the smallest increase since 1995. For 2009, Statistics Canada's survey of private and public investment intentions indicates that Canada's capital investment is expected to decline 5.4%, the weakest performance since the survey started in 1992. Private capital investment is expected to fall 9.3%, also the steepest decline since 1992, while public capital investment is expected to increase 9.5%.

Projections for Canada's economy in 2009 point to continuing weakness. Most forecasters do not expect an appreciable economic recovery until later in 2009 or in 2010. Manitoba Finance's survey of private economic forecasters shows that Canada's real economic output will decline 1.8% this year, the worst performance since 1991. Nominal GDP growth will contract even more, by 2.4%, with continuing weakness in prices undermining growth; similarly, Canada's CPI is projected to increase by only 0.3%. This would be the smallest annual increase in consumer prices since 1994. Employment is expected to contract 1.5%, while Canada's unemployment rate is projected to increase to 8.1%.

THE MANITOBA ECONOMY

The uncertainty about the depth and extent of global financial conditions coupled with an economic recession, in both Canada and the U.S., are beginning to weigh on the Manitoba economy. After several years of solid growth, recent economic indicators suggest a softening in both domestic and external markets.

In 2008, the Manitoba economy remained resilient in the face of a weakening external economic environment. Preliminary estimates show real output grew 2.2% last year, surpassing Canada's growth for the third consecutive year. Manitoba posted solid growth of 3.9% and 3.1% in 2006 and 2007, respectively (see Chart 5). Incomes generated in Manitoba slowed slightly with nominal GDP growth estimated at 6.3%, down from 7.8% in 2007.

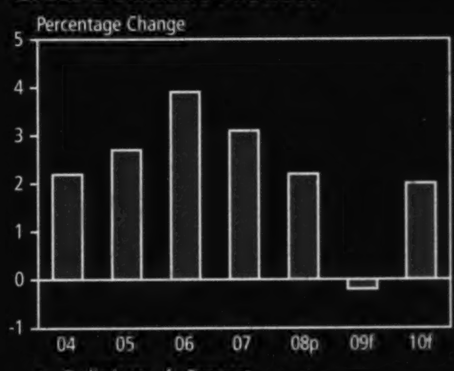
Supported by double-digit annual growth in construction and agriculture industries, Manitoba's goods-producing sector expanded 3.1% in 2008 (adjusted for inflation). Due to a contraction in global demand, output in both mining and manufacturing declined last year. The service-producing output increased 1.8% last year, with almost all service industries showing relatively modest growth. Retail was the strongest service-producing sector in

Despite a slower pace of economic growth, a number of major capital projects will ensure Manitoba remains among Canada's top economic performers in 2009 and 2010.

Canada Mortgage and Housing Corporation, February 2009

Chart 5

Manitoba Real Gross Domestic Product



p - Preliminary f - Forecast

Sources: 2004-2008: Manitoba Bureau of Statistics
2009-2010: Manitoba Finance, survey of economic forecasters

> **While the global recession will slow Manitoba's economy, sectors that propelled the province in the past few years will continue to support economic activity. Large public and private capital projects, a resilient labour market, and personal income tax cuts will lift Manitoba's economy....**
>
> Conference Board of Canada, March 2009

2008, expanding 4.0%. The strong real estate market buoyed growth in both owner-occupied dwellings and real-estate sectors last year.

Generally, most key economic indicators posted solid gains through the first nine months of 2008, but softened toward the end of the year. Business and consumer expenditures supported above-average growth in domestic demand. Solid personal income growth lifted retail sales growth to 7.1% in 2008. Investment expenditures on commercial and residential structures, repair and renovations, and machinery equipment remained firm. Due to expanding local demand and declining foreign demand, imports outpaced exports, dampening overall economic growth.

Manitoba's labour market marked its best growth in six years with the number of jobs expanding by 10,200, or 1.7%, slightly above the national growth of 1.5%. At 4.2%, Manitoba's unemployment rate in 2008 was the lowest in over thirty years. The positive labour market activity contributed to the 6.0% gain in labour income, the second-highest rate in 24 years. Recent data show that Manitoba's labour market conditions softened somewhat in late 2008 and early 2009.

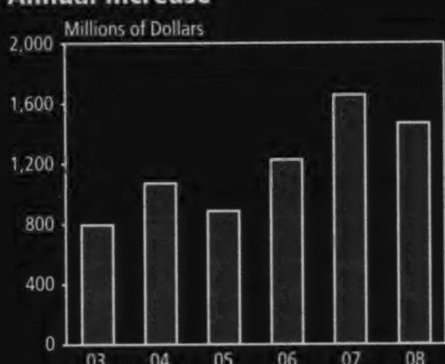
In contrast to deteriorating housing market conditions in other regions, Manitoba's new housing construction has experienced only modest softening. Supported by strong population growth, low interest rates and a strong labour market, the number of new housing starts slipped 3.5% in Manitoba compared to a 7.6% drop in Canada. The resale market continues to set record dollar value sales, although the number of units sold modestly declined, suggesting that the sector is moving from a "seller's" to a "balanced" market.

Despite declining economic activity in the U.S. and Canada in 2008, Manitoba's manufacturers increased sales to a record $16.4 billion. Manufacturing sales growth has far exceeded the national average in all of the past eight years. With a sharp increase in the spring, the value of Manitoba sales increased 1.8% in 2008 even as national sales fell 0.5%. Since September, Manitoba's manufacturing sales have declined but not as fast as national sales.

Manitoba is a key producer of nickel, copper, zinc and gold. As base metal prices sharply retreated in 2008, the total production value of these key metals fell 36%. All key metals experienced a reduction in output except gold. Supported by strong prices and moderate growth in the quantity extracted, Manitoba's value of gold production increased 26.5% to $113.4 million in 2008.

Results from Manitoba's diversified agriculture sector were mixed in 2008. The grains and oilseeds harvest was above average and prices through the first half of the year were strong in response to increased demand from Asia and from ethanol producers. Livestock producers, on the other hand, experienced

Chart 6
Manitoba Labour Income, Annual Increase



Source: Statistics Canada

Manitoba Real Gross Domestic Product, at Basic Prices by Industry, 2007 and 2008p

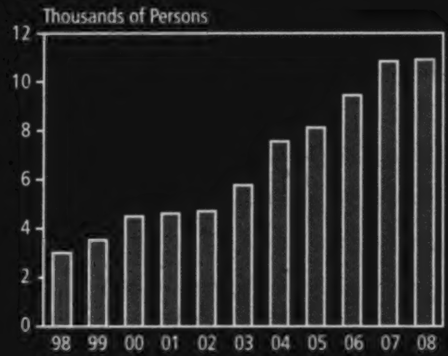
(Millions of Chained 2002 Dollars)

	2007	2008p	Percentage Change
Goods	**10,559**	**10,882**	**3.1**
Agriculture	1,662	1,836	10.4
Mining	686	640	-6.7
Other Primary	78	69	-12.2
Manufacturing	4,690	4,669	-0.4
Construction	1,894	2,144	13.2
Utilities	1,549	1,524	-1.6
Services	**27,278**	**27,778**	**1.8**
Transportation & Warehousing	2,666	2,695	1.1
Information & Culture	1,182	1,166	-1.3
Wholesale Trade	2,271	2,294	1.0
Retail Trade	2,618	2,722	4.0
Finance & Insurance	2,139	2,154	0.7
Real Estate	1,620	1,652	2.0
Imputed Rent	3,208	3,288	2.5
Professional Services	980	1,002	2.2
Other Business Services	682	698	2.3
Federal Government	1,233	1,256	1.9
Provincial Government	866	878	1.4
Municipal Government	511	523	2.4
Education Services	1,975	2,015	2.0
Health & Social Services	3,058	3,130	2.4
Arts, Entertainment & Recreational	372	379	2.0
Accommodation & Food	789	797	1.0
Other Services	1,110	1,129	1.7
Real GDP at Basic Prices	**37,837**	**38,660**	**2.2**

p - Preliminary
Source: Manitoba Bureau of Statistics
Totals may not add due to rounding and chained.
Percentage change based on unrounded data.

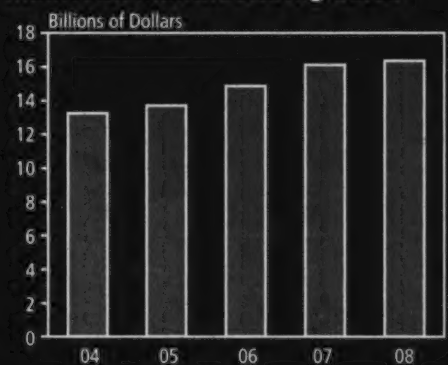
deteriorating market conditions as feed, fuel and other costs increased while demand for their products waned from slower export growth, especially to the U.S. Overall farm incomes posted good gains, with the positive performance in the crops sector more than offsetting weaker conditions for livestock producers.

Chart 7
Manitoba Immigration, 1998 to 2008



Note: October 1 annual data
Source: Statistics Canada

Chart 8
Manitoba Manufacturing Sales



Source: Statistics Canada

Consumer prices, like many industrial prices, increased through the first nine months of 2008 and then decreased as global economic weakness precipitated a correction in energy demand. From September 2008 to February 2009, consumer prices fell by 1.8%. On average in 2008, consumer prices increased 2.3%, equal to Canada, with shelter and food prices rising the fastest and clothing and footwear prices falling.

Manitoba has been proactive and successful in expanding its population base at a critical period when labour shortages were developing in many sectors of the economy. During a period of weaker economic growth, workers and families tend to move to where the jobs are. With continuing employment opportunities in Manitoba, especially in construction and other highly skilled sectors, Manitoba seeks to attract increasing number of new migrants in 2009. The Province is currently facilitating efforts by Manitoba employers to recruit the necessary skilled workers from around the world, most recently from Iceland where there is an acute unemployment problem. Manitoba will continue to implement measures which support the training, recruitment and retention of skilled workers.

Manitoba Finance conducts a survey of independent forecasters in order to establish a consensus economic projection for Manitoba. Due to increasing uncertainty generated by global developments, the consensus among forecasters for 2009 performance has tended to weaken steadily over the past year.

Currently, Manitoba's real GDP is expected to contract 0.2% in 2009, the weakest performance since the 3.4% decline in 1991. Partly due to Manitoba's diversified industrial base and its relatively large service sector, the province's growth in 2009 is still projected to be the second best in Canada. With almost all Canadian provinces expected to contract in 2009, Canada's real GDP is forecast to decline 1.8% this year.

Manufacturing

Manitoba has a relatively large and diverse manufacturing base. This base provides stability and overall economic growth in the province. Manufacturing is Manitoba's largest sector, generating over 12% of total GDP and providing almost 12% of total employment and wages and salaries in the province. Manitoba has the third-highest manufacturing employment share among provinces, following Ontario and Quebec.

In the past eight years, growth in Manitoba's manufacturing sales performance exceeded the national growth. Over this period, sales of value-added manufactured products rose an average 4.6% annually, while Canadian sales increased 0.9% annually.

The year-long recession in the U.S., combined with the onset of recession late in the year in Canada, led to mixed results for Manitoba's manufacturing sector. Growth in sales accelerated in the first eight months followed by a gradual contraction. With the strength at the beginning of the year, Manitoba's manufacturers set a record for the value of sales at $16.4 billion in 2008 (see Chart 8). Manufacturers shipped a monthly average of $1.4 billion worth of products last year. Total sales of manufactured goods rose 1.8% in 2008, well above a national contraction of 0.5%. Seven of 12 manufacturing industries posted increased sales last year.

The optimism in agriculture generated by a sharp increase in crop prices earlier in 2008 helped boost sales of chemical products (especially fertilizers) by 35.6% in 2008. Machinery receipts jumped 29.7% last year as sales of farm implements expanded (see Chart 9).

The province-wide growth in residential and non-residential construction activity last year buoyed sales of electrical and fabricated metal products by 16.5% and 14.3%, respectively. Food product sales, which are less sensitive to recessionary conditions and which account for over 22% of manufacturing sales, increased by 2.1% in 2008. The sudden fall in base metal prices significantly lowered the value of primary metal shipments from Manitoba last year.

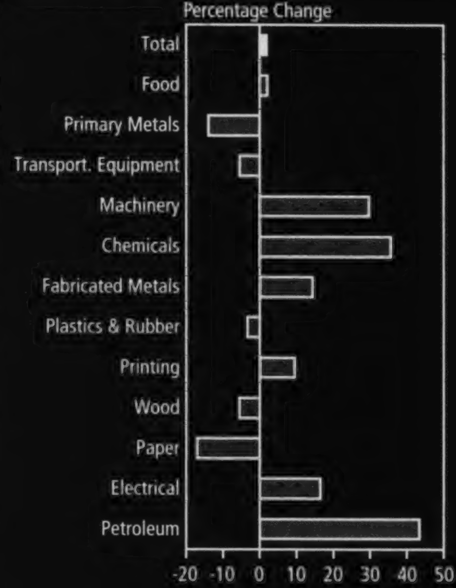
Since September 2008, the factors identified as limiting sales growth include tighter financing conditions, declining demand for products (especially for home construction and home furnishing materials in the face of the U.S. housing slump), continued aggressive competition from foreign producers and volatile currency markets.

Some manufacturing establishments closed in 2008 but most are preparing for a period of economic slowdown by continuing to enhance productivity and scaling back staff and production. Last year, employment in manufacturing fell by 2.7%, or 1,900 positions, after increasing by 6.0% or 4,000 positions in 2007. However, Manitoba's employment loss is not as severe compared to the national loss of 3.6% or 74,600 jobs.

One of the keys to increased productivity by Manitoba manufacturers has been the higher level of the Canadian currency. While the stronger Canadian currency hurts Canadian manufacturers in export markets, it makes imported machinery and equipment more affordable. With the stronger Canadian dollar over the past several years, Manitoba manufacturers increased their investment in new production technology to enhance efficiency and lower costs. Capital investment in manufacturing machinery and equipment jumped almost 36% since 2006 (see Chart 10).

Chart 9

Manitoba Manufacturing Sales by Industry, 2008

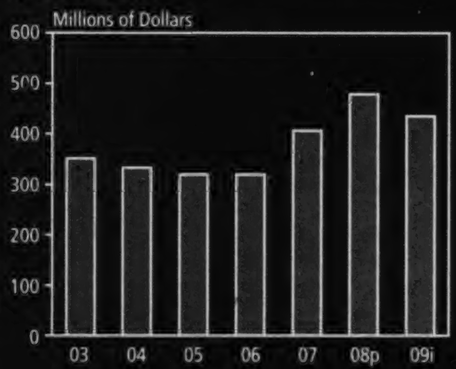


Note: ranked by industry size in descending order

Source: Statistics Canada

Chart 10

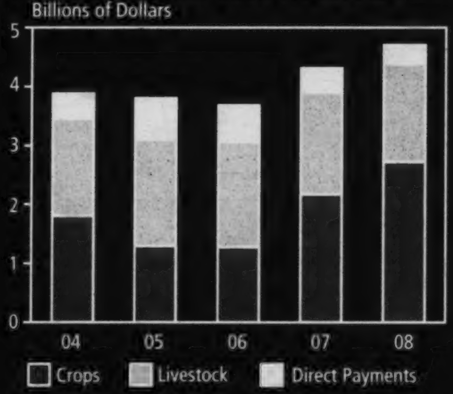
Manitoba Manufacturing Machinery and Equipment Investment



p - Preliminary i - Intentions

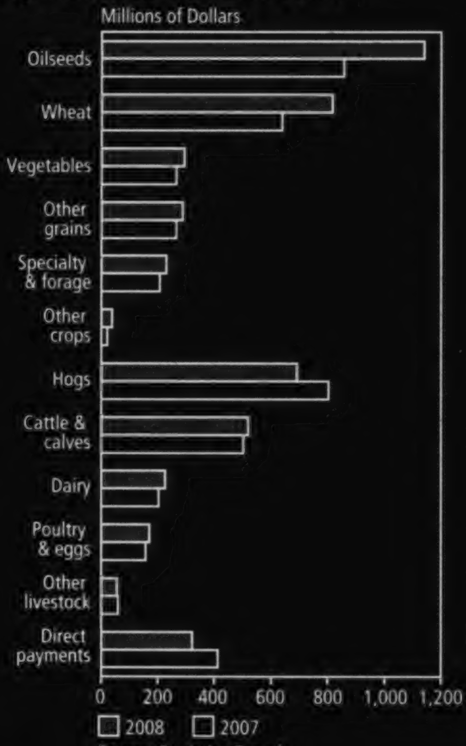
Source: Statistics Canada

Chart 11
Manitoba Farm Cash Receipts



Source: Statistics Canada

Chart 12
Manitoba Farm Cash Receipts by Product, 2007 and 2008



Source: Statistics Canada

The changing market conditions are clearly evident in a December 2008 survey by the Canadian Manufacturers and Exporters. The survey indicates that many Manitoba manufacturing and export firms have fewer orders since September 2008 and most firms expect fewer new orders and a lower number of workers in their operations in the first quarter of 2009. The survey also looked at business financing conditions. Manitoba faired relatively well with 28% of businesses indicating difficulty in accessing financing compared to the national average of 34%.

Despite these circumstances, many Manitoba manufacturers are maintaining or expanding sales. Several transportation equipment makers, including New Flyer Industries and Bristol Aerospace, have secured long-term contracts that will maintain stable production levels. Processed food shipments are expected to increase as Maple Leaf in Brandon is operating a second shift. There are many construction projects in the province, ongoing or in the planning stages, which will buoy fabricated metal and electrical products in 2009.

Agriculture

Agriculture is a cornerstone for considerable economic activity in Manitoba. Large scale production of grains, oilseeds, vegetables, specialty crops and livestock influences a large portion of Manitoba's economy and is particularly important in rural Manitoba. The key "backward" linkages from agriculture are seed production, farm machinery and equipment manufacturing, vehicle dealerships, fertilizer production, agricultural research, credit financing and insurance. "Forward" linkages include transportation and warehousing, food and confectionery processing, retail and wholesale trade as well as restaurant services. Since Manitoba produces a surplus of agricultural commodities, the sector accounts for a sizable portion of the province's exports.

Through direct production of agricultural commodities, the sector generated over $4.7 billion in cash receipts and has grown by 28% in the last two years (see Chart 11). Agricultural revenues are relatively evenly distributed between crop and livestock production. The 10-year average cash receipts show that crop and livestock categories of operations averaged $1.7 billion and $1.6 billion in annual receipts, respectively.

The surge in demand for primary products boosted most commodity prices over the last two years. This surge significantly influenced crop prices. With variable global production levels and an increased demand for grain as a gasoline substitute through ethanol production, crop prices rose sharply in early 2008. But as the financial crisis heightened in September 2008, primary commodity prices fell. Crop prices declined to levels which prevailed prior

to the 2007-2008 spike. Restrained by oversupply and declining demand, livestock prices remained comparatively flat through much of 2008.

Manitoba crop operators produced a relatively good harvest in 2008. Wheat production turned around and increased by 33.3% while canola output increased by 32.1% (see Chart 12). The fall rye and flaxseed harvests both increased by over 50%, but barley production was down by 6.2% due to lower seeded area. With the sharp up-and-down price cycle, crop cash receipts rose by 25% in 2008 following a large 70% increase in 2007. Receipts from all the major grains and oilseeds sales rose by double-digit growth rates in the last two years.

Hog and cattle producers are reducing the number of livestock on Manitoba farms as the industry adjusts to increasing input costs, shrinking demand and the uncertainty created by the new U.S. country of origin labeling (COOL) rules. The number of hogs on farms fell 4.6% in 2008 and production was down 3.3% to 9.2 million hogs. The number of hogs exported fell 10% as many U.S. buyers are reluctant to buy from Canada. The number of cattle on Manitoba farms fell 5.5% in 2008. However, cattle production increased 5.4% but the herd size shrank due to a 16.2% increase in interprovincial and international exports.

Given that Manitoba produces most of its livestock for export, the contraction in hog export contributed to a 14% decline in livestock cash receipts from hog production in 2008. Cattle cash receipts increased by 3.5% in 2008.

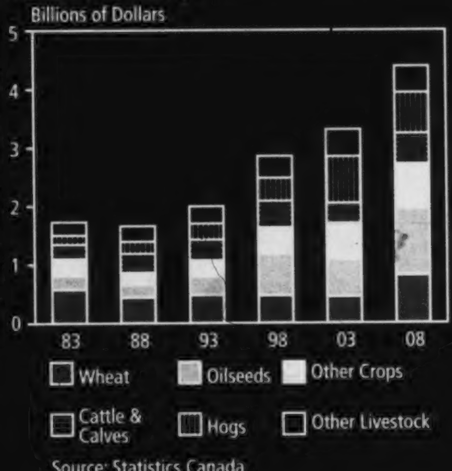
The uncertainty and market disruptions generated by frequent introduction of new rules and regulations for livestock exports to the U.S., including COOL, has led to new business initiatives in Manitoba. Last September, Maple Leaf's Brandon plant increased production to 85,000 hogs per week. Keystone Processors is developing a federally inspected modern beef slaughtering and processing facility in Winnipeg. In addition, Hytek Ltd. is expanding its hog processing facility in Neepawa to handle approximately 27,000 hogs per week.

The agricultural outlook for 2009, like the general forecast for the overall economy, remains very uncertain. Just prior to seeding, crop producers are looking at very indecisive market conditions. Crop prices are reacting to the latest information on weather conditions in key growing regions, to the expected harvest and to inventory levels.

Weather forecasters project a La Nina phenomenon will develop this year. This condition tends to reduce the size of southern hemisphere crops. Concurrently, the U.S. Department of Agriculture (USDA) is projecting a 4.0% hike in food prices in 2009. The USDA also projects that the U.S. wheat harvest will decline by 4.1%, due to higher than expected inventories. These conditions bode well for prices this summer.

Chart 13

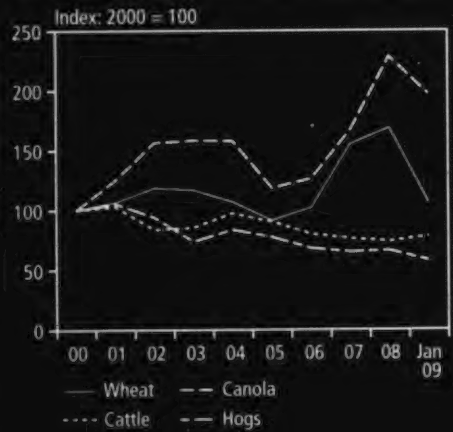
Manitoba Market Receipts by Commodity



Source: Statistics Canada

Chart 14

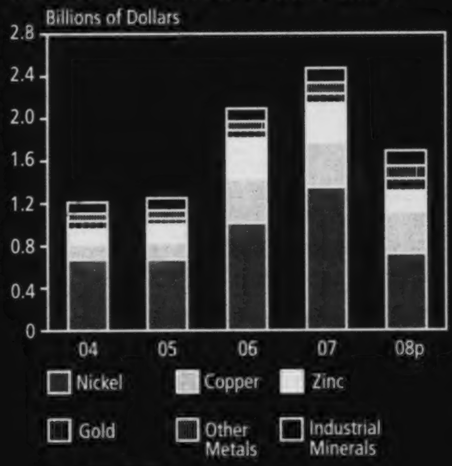
Manitoba Agricultural Price Index



Source: Statistics Canada

Chart 15

Manitoba Mineral Production



p - Preliminary

Note: excludes petroleum

Source: Natural Resources Canada

Livestock producers are not expecting a significant turnaround in demand. Lower feed costs and a lower dollar provide some relief but the shrinking global demand for meat may continue to hamper production. Over the longer term, as the global economy moves back into an expansionary phase and demand for meat products increase, the ongoing reduction in supply should boost prices.

Minerals

Minerals are a key contributor to the Manitoba economy and are the province's second-largest primary resource industry. Most jobs in the minerals sector are based in Northern Manitoba and offer among the highest wages. In 2008, employment in the industry increased 2.0%. Manitoba's principal mineral resources are oil, nickel, copper, zinc and gold. With the exception o gold, these commodities ended 2008 with prices that were significantly lowe than 2006 and 2007 levels.

The total value of production for Manitoba's minerals, including mined metals industrial minerals and petroleum, totalled $2.5 billion in 2008, down 17.9% from 2007 due largely to price declines. The value of Manitoba's metals totalled $1.5 billion, declining 33.6% in 2008 (see Chart 15). The depreciation of the Canadian dollar provided only a small offsetting benefit to producers.

In 2008, the international market for Manitoba's base metals sharply reversed the significant price gains from previous years as global demand fel and inventory levels rose substantially. For nickel and zinc, data show tigh inventory levels through 2006 and into 2007. Copper stocks were low since 2003. However, as demand for metals quickly evaporated in 2008 in the face of the international economic slowdown, inventories began to accumulate Nickel stocks jumped to their highest level in nine years and copper to the highest level in five years. Zinc inventories built up by 161% from January to December of last year.

The higher stocks pushed many base metal prices down to levels nea historical averages which prevailed prior to the spike. The price of nicke fell from an average of C$12.70 per pound in January 2008 to C$5.43 in December, a drop of 57.3%, but slightly above its historical average of C$5.3 between 1996 and 2005. For copper, prices fell by 46.8% from C$3.24 pe pound in January 2008 to C$1.72 in December, but since prices fell late in the year, the average annual decline was only 4.9%. Similar to nickel, zinc prices declined steadily from C$1.59 per pound in 2007 to an average o C$0.62 in December 2008 and near its historical level.

Manitoba produces approximately 12% of Canada's nickel output and nicke is the province's most valuable metal. Manitoba's nickel is recognized as bein

one of the highest quality in the world. With declining demand, Manitoba nickel production fell by 8.3% in 2008 to 30.8 kilotonnes (kt). Combined with weaker prices, the value of production was lowered to $720.6 million, a 46.5% decline.

The province's copper production declined in 2008 after achieving a record level in 2007. The volume of copper output was down 7.2% to 51.5 kt, coming off of a record high in the previous year. Production value in 2008 was $393.2 million, down 7.4% from $424.7 million in 2007. Manitoba's copper comprises 9% of Canada's total output.

Manitoba's zinc production, which accounts for 16% of national output, fell to 98.3 kt, a decrease of 6.9% after advancing modestly over the past few years. Similar to nickel output, the value of zinc production declined 46.1% to $198.2 million in 2008.

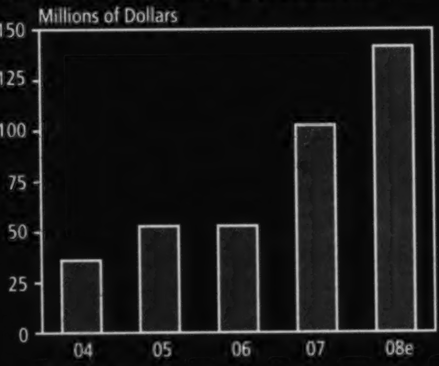
Unlike base metals, gold prices increased in 2008. Gold averaged C$925 per ounce in 2008, up 24.2% over 2007. Being increasingly used as a safe haven for investors, and in part due to a lower Canadian dollar, gold averaged over an unprecedented C$1,000 per ounce in December 2008, and has averaged over C$1,100 in the first two months of 2009.

Gold output in the province increased substantially in 2006 and continued to rise in 2007. Production volumes in 2008 posted a 2.3% increase. In addition to slightly higher output, prices increased the overall value of gold production by 26.5% in Manitoba to $113.4 million. San Gold Corporation, at its Rice Lake mine in Bissett, continues its surface drilling to define and extend its gold discovery zone this year. Other companies have completed successful drilling campaigns and discovered greater gold resources and reserves in different parts of the province. Manitoba produced 4% of all gold mined in Canada in 2008.

Mineral exploration is essential to the long-term viability of the mining sector. In Manitoba, exploration investment has generated positive results. While HudBay Minerals Inc. shut its Snow Lake mine due to collapsed prices, its Lalor Lake discovery garnered the 2009 Prospectors and Developers Association of Canada's award for the most significant Canadian mineral discovery. The Flin Flon Greenstone Belt deposit has millions of tonnes of zinc-rich minerals, both indicated and inferred, and HudBay has also discovered a new gold zone at Lalor in addition to its copper and zinc deposits.

Total Manitoba exploration investment is estimated at $141.5 million in 2008, up 37.9% from $102.6 million in 2007 (see Chart 16). Although total exploration was largely focussed on base metals, increasing 21.1% in 2008, precious metal exploration rose by almost three-quarters compared to 2007. A Statistics Canada survey of investment intentions shows that mining investment (including oil and gas investment) in Manitoba is expected

Chart 16
Manitoba Mining Exploration

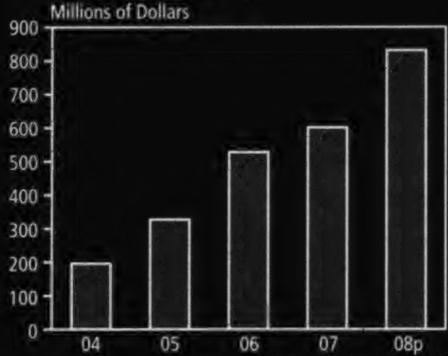


e - Estimated
Source: Natural Resources Canada

Manitoba - Weathering the storm

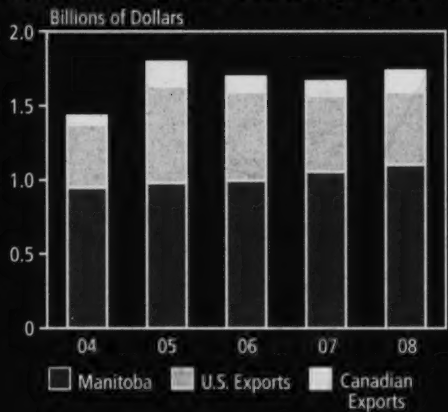
RBC Economics, March 2009

Chart 17
Manitoba Petroleum Production Value



p - Preliminary
Source: Manitoba Science, Technology, Energy and Mines

Chart 18
Manitoba Hydro-Electricity Sales



Source: Manitoba Hydro

to decline 58% in 2009. This follows a 129% increase in mining capital investment between 2004 and 2008, the second-highest increase among provinces.

For the petroleum industry, 314 total wells were drilled, a high level but down 3.1% from 2007. Manitoba's oil production volume increased 3.7% with 1.3 million cubic metres of output, while oil prices increased to $97.27 per barrel, on an annual average basis, from $72.52 in 2007. Oil prices were volatile last year, finishing at $38.70 on average for December 2008. The value of production increased to $830.6 million in 2008, up 38.2% over 2007 (see Chart 17).

In addition to rich mineral deposits, Manitoba has a number of economic factors that support the mining and minerals sector including varied geology with high mineral resource potential, a comprehensive geoscience knowledge base, mineral exploration and petroleum drilling incentives, a transparent land tenure system, competitive business costs, skilled labour, high-quality transportation infrastructure, access to a sea port, and reliable low-cost electricity.

Electricity

Manitoba Hydro is owned by the Provincial Government and is responsible for electricity generation, transmission and distribution within the province. Virtually all electricity produced in Manitoba is generated from water power, a renewable, clean source of energy. The province has 14 hydro-electric generating stations, primarily on the Winnipeg, Saskatchewan and Nelson Rivers. These stations have a capacity of approximately 5,000 megawatts (MW). Additional generating capacity of 462 MW is available from steam and combustion turbines in Brandon and Selkirk.

Manitoba Hydro also has a long-term purchase agreement for electricity generated at the St. Leon wind farm. Completed in 2006 with 63 turbines, the 99 MW wind farm is the first in Manitoba. Manitoba Hydro is currently in discussions for the establishment of a new wind farm at St. Joseph with an additional wind generating capacity of 300 MW.

Electricity sales grew 4.2% last year. Manitoba sales, which account for approximately 63% of total sales, grew 4.7% while sales outside the province (to Ontario, Saskatchewan and to the U.S.) grew 3.4%. The peak season for U.S. sales is in the summer to meet higher demand for air conditioning and other seasonal load.

Growth in demand for electricity and expected load growth has prompted the addition of new generating capacity. Construction is now under way on the Wuskwatim generating station, a low-impact hydro-generating unit scheduled

to be completed by late 2011. The project involves establishing a 200 MW generation station at Taskinigup Falls on the Burntwood River. The business model for this project is unique in that it represents the first time Manitoba Hydro has entered into an equity partnership with a First Nation. The project is being managed by the Wuskwatim Power Limited Partnership, an equity partnership between Nisichawayasihk Cree Nation and Manitoba Hydro. The estimated cost for Wuskwatim is approximately $1.6 billion. This project has supported almost 2,000 construction-related person-years of employment with about 2,800 more created by suppliers and through indirect benefits.

Manitoba Hydro plans to invest approximately $15 billion in capital for major new generation and transmission projects over the next 10-15 years, including projects like Wuskwatim, Bipole III, Keeyask and Conawapa. These projects will serve the growing needs of Manitoba customers as well as meet Hydro's export market opportunities.

One of these projects, Keeyask, is a 695 MW facility that would be built about 725 kilometres northeast of Winnipeg on the lower Nelson River, 35 kilometres upstream of the existing Kettle generating station. It is estimated that the project would generate approximately 10,500 person-years of employment and could be in place by 2018. Like the Wuskwatim agreement, the Joint Keeyask Development Agreement provides for the four First Nations to collectively own 25% of the hydro dam.

The Conawapa generating station is also being planned. Though a schedule for this project has not been announced, preliminary engineering and environmental work on Conawapa has begun. This station would be the largest hydro-electric project ever built in Manitoba. On the Lower Nelson River, 28 kilometres downstream from the existing Limestone generating station, Conawapa would have a generating capacity of 1,485 MW. The water storage for the station is designed to remain almost entirely within the natural banks of the Nelson River, significantly limiting flooding. The generating station has a construction period of 8-8.5 years, with the earliest possible in-service date projected to be 2020. The project will create about 13,000 person-years of direct and indirect employment over its construction period.

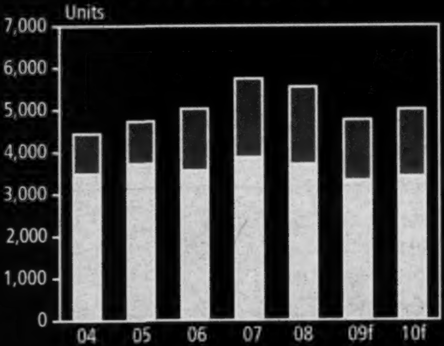
Pointe du Bois generating station, the oldest hydro-electric plant operating in Manitoba, began producing electricity in 1911. A complete reconstruction of the station is being planned. Manitoba Hydro would construct a new powerhouse, spillway and dam with modern operating and safety standards. The capacity of the station would be increased from 78 MW to approximately 120 MW. The existing structure would be decommissioned on completion of the new station.

Manitoba Hydro Generating Stations

Station	MW
Limestone	1,340
Kettle	1,220
Long Spruce	1,010
Grand Rapids	479
Kelsey	234
Seven Sisters	165
Great Falls	132
Jenpeg	128
Pine Falls	89
Pointe du Bois	74
Slave Falls	67
McArthur Falls	55
Laurie River 1 & 2	10
Total Hydraulic Capacity	5,003

Source: Manitoba Hydro

Chart 19
Manitoba Housing Starts

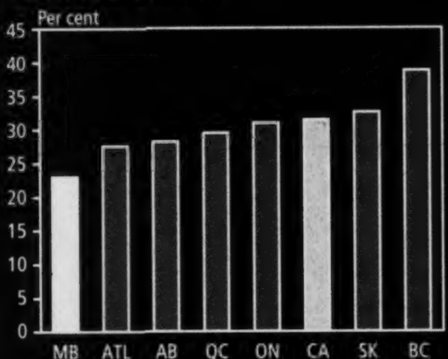


f - Forecast

Singles Multiples

Source: Canada Mortgage and Housing Corporation

Chart 20
Housing Affordability, Standard Condo



Note: Index is percentage of income required for home ownership costs

Source: RBC Economics, Housing Trends and Affordability, December 2008

Housing

In contrast to sharply weaker housing market conditions in other regions, Manitoba's housing sector has experienced only modest softening. Last year, the number of new housing units constructed in the province eased from a two-decade high in 2007 and resale activity moderated. With rising average incomes, housing remained affordable amid continued price appreciation and the value of issued building permits progressively increased throughout the year.

Housing starts in Manitoba slipped 3.5% in 2008, better than Canada's 7.6% decline. Despite the slip, Manitoba starts were at the second-strongest level since 1987. Residential single-detached bungalow starts were down 4.3%, but achieved the third-highest level in 21 years. Starts of multiple units declined 1.8% after two years of large gains, with a shift to new row housing almost offsetting the decrease in apartment construction. Multiple-unit construction was at the second-highest level in two decades.

The value of residential building permits issued increased 14.4% in 2008, almost matching the annual average increase since 2000. Gains in building activity came from a variety of sources as industrial, commercial and residential permits increased while institutional and government permits declined. Manitoba experienced two surges in building permits in 2008. While the first half of 2008 gained a respectable 8.3% over the first six months of 2007, the latter half of 2008 experienced a 20.5% surge in building permits over the same period in 2007. Notable is the non-Winnipeg increase for 2008 where permits rose 19.3%, greater than the 11.3% growth of Winnipeg permits.

Multiple Listing Service (MLS) resale activity indicates a drop in the number of sales in 2008, down 3.4% from a record high in 2007 to 12,630 unit transactions. However, prices still gained as the total dollar volume of these transactions rose 8.6%. The weighted average of prices by neighbourhood for Winnipeg shows prices accelerated to 14.5% for single-detached homes in 2008. The number of MLS listings was up 10.9% in 2008.

Prices gained for new home construction as well, particularly for land. New home prices in Manitoba increased 10.2% in 2008, third highest among provinces, while the land component rose 19.7%. Growth in renovation investment spending in Manitoba was the highest among provinces last year at 12.9%, double the national increase.

Despite the price gains, Manitoba's housing remains among the most affordable in Canada. Manitoba has the most affordable townhouses and condos among Canadian regions and the third-best affordability score for detached bungalows and two-storey houses. Price increases were among the

highest for all four housing types tracked by the RBC Housing Trends and Affordability publication, but they have been offset by increasing incomes.

RBC cites only a modest risk of Manitoba households being overextended. The affordability index is not far above long-term averages, especially relative to other provinces. In addition, Manitoba had the lowest rate of mortgages in arrears at the end of 2008 according to the Canadian Bankers Association (see Chart 21). Home equity has risen in Manitoba to record levels among mortgage holders relative to housing prices, says the Canada Mortgage and Housing Corporation (CMHC), and Manitoba has among the highest equity-to-price ratios in the country, indicating that Manitoba is well positioned to weather uncertainty in the housing market.

Most forecasters predict a housing market contraction in 2009 for both Manitoba and Canada. Although mortgage rates fell during 2008, chartered banks added premiums to the prime lending rate instead of discounts. For the construction of multiples, developers are expected to face more stringent lending requirements going forward.

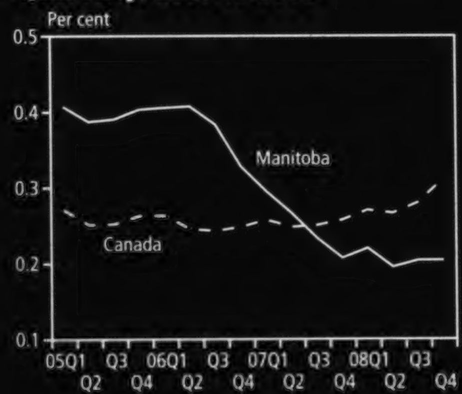
Compared to the national average, Manitoba is projected to experience a more muted housing adjustment. Although unit starts are forecast to decline 14.2%, CMHC projects the reduction to be the second-smallest decline among provinces. Canada is forecast to contract by almost a quarter in 2009. CMHC also forecasts average prices for Manitoba to slip 3.3% in 2009 after gaining 12.5% in 2008 and a significant increase of 109.4% since 2000. Canada's home prices are projected to decrease 5.2% in 2009 after a 0.7% drop in 2008.

According to Statistics Canada, Manitoba's 60.4% rise in housing investment over the past five years has been the third-highest growth in the country. Capital investment in housing grew at the third-highest rate among provinces in 2008 and a Statistics Canada survey of investment intentions projects Manitoba will have the highest increase in 2009 at 3.2%. Only two other provinces are expected to increase housing investment during 2009, with Canada's investment expected to contract 1.8% overall.

Retail Trade

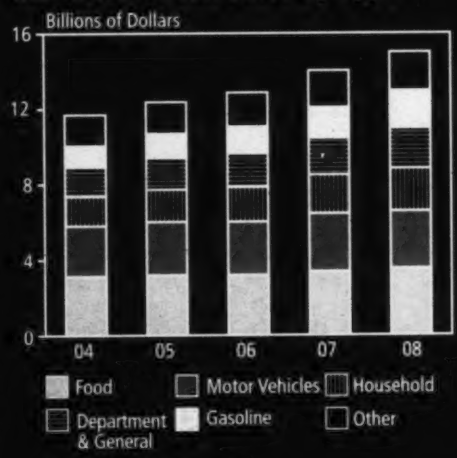
Manitoba retail sales increased to $15.0 billion, or 7.1%, in 2008 (see Chart 22). Manitoba's growth in retail sales was third highest among provinces and ahead of Canada at 3.2%. Retail trade has expanded at a robust pace in Manitoba, growing 28.3% over the past five years, the third-highest increase in Canada.

Chart 21
Mortgages In Arrears Rate, Quarterly, 2005 to 2008



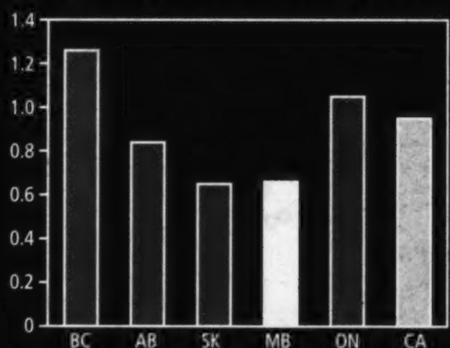
Source: Canadian Bankers Association

Chart 22
Manitoba Retail Sales by Type



Source: Statistics Canada

Chart 23
Ratio of Total Personal Debt to Personal Disposable Income, 2007



Source: Chartered Accountants of Manitoba

As new and existing home prices rose in 2008, the wealth effects of rising real estate prices, as well as demand for goods related to new home construction, encouraged spending. Household-related spending (home furnishings, specialized building materials and garden supplies, furniture, and home electronics and appliances) were among the fastest-growing sectors, increasing 10.5%.

The largest gain in retail sales came from higher gasoline prices which contributed to a 22.9% increase in gas sales. The average retail price for regular gasoline in Manitoba was over $1.16 per litre in 2008, pushing the gasoline component of the CPI up 13.7% from 2007. Gasoline sales account for over 13% of all Manitoba retail sales.

New car dealers saw a 2.6% decline in the dollar value of sales in 2008 even as the number of units sold increased. Bucking the national trend of falling new motor vehicle unit sales, Manitoba sales increased 2.0% compared to 2007, up to 48,048 units.

Car buyers responded to gas prices by moving to passenger cars from larger, more expensive trucks, which include SUVs and minivans. Car sales increased 7.6%, more than offsetting the 2.1% decline in truck sales. Truck units sold represented the majority of new motor vehicle purchases in 2008 at 55%, while car sales gained market share on trucks for the first time in seven years.

Used and recreational vehicles and parts sales gained 4.8%, after growing at an annual average rate of 18.8% since 2000, the fastest-growing retail sector over that period.

While Manitoba's retail sales performance was robust, sales growth weakened in the last two months of the year. November and December 2008 sales showed no gain compared to the same period in 2007, while Canada's sales in the same period fell 3.9%.

Manitoba continues to have among the lowest ratios of personal debt to personal disposable incomes in Canada. In 2007, Manitoba debt-income ratio was 66%, well below the Canadian average of 95% (see Chart 23). The low level of Manitobans' personal debt relative to incomes suggests consumer activity will not be as adversely affected in an economic slowdown relative to those jurisdictions where household finances are more highly leveraged.

Tourism

Manitoba relies more heavily on U.S. tourists than Canada as a whole and both tourism industries were not immune from the downturn in the U.S. economy. In spite of the difficult economic context, Manitoba tourism had serveral bright spots.

The total number of non-resident travellers entering the country in Manitoba fell 11.8% in 2008, while Canada overall fell 9.9%. The number of U.S. travellers fell 12.6% for Manitoba and 12.0% for Canada. Auto travellers faced a higher currency for most of the year and gasoline prices were in excess of US$4 per gallon for a large part of the summer driving season, exerting a drag on visits. The latest state-level data show North Dakota and Minnesota comprised almost 60% of the visitors to Manitoba in 2007 but only 30% of receipts, while tourists from the rest of the U.S. provided 70% of tourism receipts.

Overnight trips to Manitoba by U.S. residents were down 9.8%. Same-day trips were particularly weak, down 16.0%. Sensitivity to gas prices and the exchange rate were factors, as gas prices were high throughout the first three quarters of 2008 and the Canadian dollar hovered near par relative to the U.S. dollar for the first half of 2008. The average exchange rate value of the Canadian currency for the first three quarters was up 5.0% compared to the 2007 average.

While U.S. visitations were down in 2008, non-U.S. visitors to Manitoba surged in 2008, increasing 14.4%, while Canada saw this group increase only 1.8%. In 2007, the largest source countries for Manitoba visitors were the United Kingdom, Germany and Japan, according to the latest available data.

According to Statistics Canada, growth of tourism expenditures in 2007 was the highest in Canada. Manitoba's growth of 10.4% was well above the 2.2% national increase.

The domestic tourism market was buoyed by Manitoba's popular festivals and events in 2008. For example, Folklorama, North America's largest and longest-running multicultural celebration, drew 446,000 visits to its 44 pavilions, down 2.8% from a large attendance in 2007. The Winnipeg Fringe Festival attained a new paid attendance record at 72,699 for the 12-day event. The Winnipeg Folk Festival reported 45,325 concert-goers, also achieving a new attendance record.

Passenger traffic at Winnipeg's James Armstrong Richardson International Airport was steady in 2008 after a record year in 2007, with a drop in domestic flights offset by a large pick-up in international air traffic.

Although the number and value of meetings and conventions dropped in Winnipeg, hotel occupancy rates rose to 68.9% last year. For Manitoba, the occupancy rate rose to 67.1%, average daily room rates were up 6.8%, and revenue per available room also increased, by 9.8%. Overall, Manitoba outperformed Canada with increased domestic and overseas travel to Manitoba offsetting lower U.S. volumes.

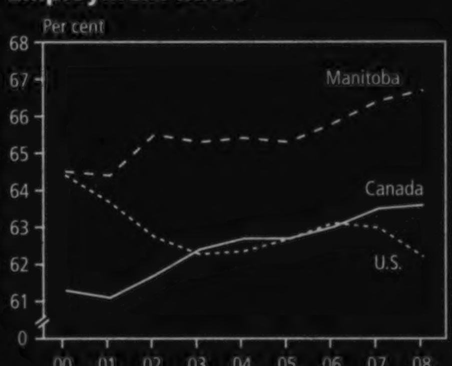
Manitoba's economy has proven very resilient over the past ten years and has generated steady growth. With a fairly diversified manufacturing base and meaningful finance, insurance, health care, government and transportation sectors, the provincial economy shows less volatility than its manufacturing and resource-reliant neighbours. The Province has one of the lowest unemployment rates in the country and a below-average reliance on international exports.

DBRS, December 2008

Chart 24
Manitoba Employment and Unemployment Rate

Source: Statistics Canada

Chart 25
Manitoba, Canada and U.S. Employment Rates



Sources: Statistics Canada
U.S. Department of Labor

Manitoba's decline in U.S. tourists is part of a general nationwide trend. Canada and Manitoba have seen declining volumes over the past several years. Canada's U.S. visitors have declined every year since 1999, and for Manitoba, since 2000, exacerbated by the September 2001 terrorist attacks and the ascent of the loonie beginning in 2003. The number of visitors in 2008 is the lowest level on record dating back to 1972 for both Canada and Manitoba. In contrast, non-U.S. visitors have generally increased. The past five years have seen continued gains in non-U.S. visitors for both Canada and Manitoba.

The Conference Board of Canada estimates gains for domestic overnight visits to Manitoba at 4.0% in 2008 and total overnight visits at 3.0%, both ranking among the best performances in Canada. Manitoba's tourism sector is expected to outperform most other provinces again in 2009, due to the province's relatively good economic performance, and will rank second for growth in total overnight visits.

Domestic visits to the province are projected by the Conference Board to be boosted by business travel and supported by pleasure trips. Visits by U.S. and overseas residents are expected to fall in step with the national declines, but total travel receipts are forecast to grow 3.3%, second best among provinces. Next year, the province will host Manitoba Homecoming 2010, a year-long celebration of Manitoba's 140th birthday.

Labour Markets

Last year was a strong year for Manitoba's labour market. Employment expanded by 10,200, or 1.7%, slightly above the national average growth of 1.5% and fourth best among provinces. This was Manitoba's best provincial employment growth rate in six years.

Manitoba continued to see sharp increases in full-time employment in 2008, as full-time job growth accounted for virtually all of the net new job gains in the province. Over the last two years, the province generated 20,400 full-time positions, while posting a reduction in 700 part-time positions.

Increasing job opportunities throughout the province attracted 9,100 new workers into the labour force and helped push the unemployment rate down to 4.2%, the lowest in over 30 years. The number of unemployed workers fell by 1,100, down 4.0%, the largest reduction of unemployed workers among provinces. Notably, the Manitoba unemployment rate declined from 4.4% to 4.2%, its lowest level in over 30 years.

The labour force participation rate and the employment rate illustrate the level of engagement of the population in the labour market. Last year, both rates in Manitoba rose to historical record-high levels (see Chart 25).

Employment growth in 2008 was particularly strong in the goods-producing sector, where the number of jobs expanded by 2.2%. Construction employment increased by 3,800 positions and utilities employment increased 1,200 positions. Agricultural employment increased slightly but manufacturing and mining (including forestry and fishing) employment fell. Overall, manufacturing employment declined by 1,900.

Employment growth in the service-producing industries was driven by an increase in health care (3,200) and finance, insurance and real estate (1,700). Retail and wholesale trade, and transportation and warehousing also reported employment gains. Public administration (-1,800), information and culture (-1,400) and accommodation and food services (-1,200) shed jobs last year.

With a severe recession in the U.S. labour market and a sharp reduction in Canadian employment over the past four months, the employment prospects for 2009 remain extremely uncertain. Private economic forecasters, the federal government and the Bank of Canada have all progressively revised down the Canadian outlook for 2009.

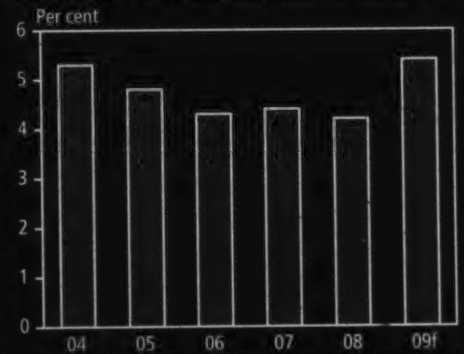
Most recently, Manitoba's employment levels have shown little change in the last quarter of 2008 and into early 2009. This follows rapid growth of employment in the first part of 2008. Similarly, the positive trend in the number of reported hours worked has slowed.

The current Manitoba Finance survey of private sector economic forecasts indicates a 0.4% loss in employment in 2009, the second best among provinces. National employment is expected to fall by 1.5% or 257,000 positions. The survey shows declining employment in all provinces except Saskatchewan.

Manitoba's unemployment rate is expected to climb to 5.4% in 2009, tied for second lowest among provinces, and well below the national average of 8.1%.

Chart 26

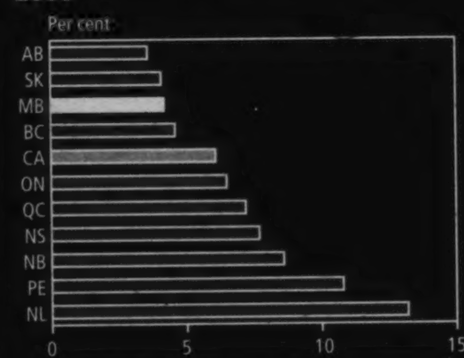
Manitoba Unemployment Rate



f - Forecast
Sources: 2004-2008: Statistics Canada
2009: Manitoba Finance, survey of economic forecasters

Chart 27

Unemployment Rate by Province, 2008



Source: Statistics Canada

Labour Market Definitions

Employment: Number of non-institutionalized, civilian working-age adults (15 years of age and older) working at paid jobs plus those who are self-employed, including unpaid workers who contribute to the family's farm or other business.

Unemployment: People without work who are available for work and are actively looking for jobs, or have looked for work in the previous four weeks.

Labour Force: The sum of employed and unemployed. Excludes those who are not employed and who are not looking for work.

Participation Rate: Labour Force as a percentage of working-age adults.

Employment Rate: Employment as a percentage of working-age adults.

Investment

In 2008, capital investment in Manitoba grew at a strong pace. Total capital investment increased by 16.7%, second best in Canada (see Chart 28). Manitoba led all provinces in Canada with a 15.2% increase in private investment (see Chart 29). The $954 million increase in private capital spending was the largest annual increase recorded in Manitoba in over 16 years. However, with the current global economic uncertainty, tighter credit conditions and completion of several major projects, the level of capital spending is expected to decline in 2009.

The positive momentum in capital spending began in 2004, when real business capital investment exceeded the $6 billion threshold (inflation adjusted to 2002 dollars). Within the next three years, real annual investment levels rose to $7.4 billion. Current preliminary estimates show private capital investment reaching $8.3 billion in 2008.

Private capital investment is broken down into three categories; residential construction, non-residential construction (commercial buildings) and machinery and equipment. During the current capital investment boom, all three categories have grown substantially since 2003: real residential construction expanded 44%, non-residential construction expanded 65% and machinery and equipment spending increased 38%.

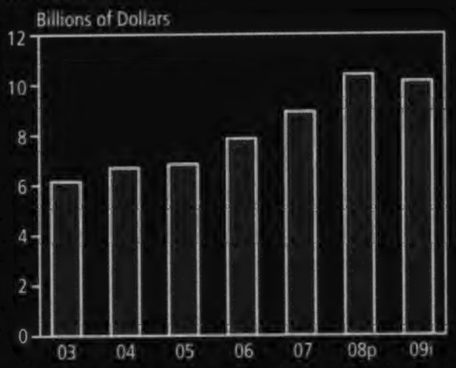
The capital spending has been broadly distributed among industries, with transportation and storage and utilities leading non-residential construction spending, and mining, oil and gas extraction and the construction sector itself leading in machinery and equipment spending.

While private investment has posted good growth over the past several years, public investment has significantly increased, facilitating infrastructure development in the province. Over the last four years, in real 2002 dollar terms, government capital investment increased from $816 million in 2003 to an estimated $1,550 million in 2008.

The new investment generated by private and public capital projects has vaulted capital spending from 17% of total Manitoba GDP in 2003 to almost 23% in 2008.

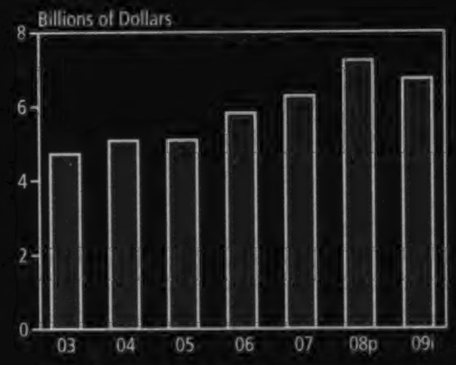
The outlook for business and government investment in 2009 is reflected in Statistics Canada's 2009 Private and Public Investment in Canada, Intentions survey. The survey projects reduced investment activity in almost all provinces. Capital investment in Manitoba is expected to decline 2.6%, sixth among provinces and less than half the national decrease of 5.4% (see Chart 30).

Chart 28
Manitoba Total Capital Investment



p - Preliminary i - Intentions
Source: Statistics Canada

Chart 29
Manitoba Private Capital Investment



p - Preliminary i - Intentions
Source: Statistics Canada

The survey indicates continued increases in housing-related investments at 3.2% in 2009, following 16% annual growth in the previous two years. Total capital expenditures are projected at $10.1 billion in 2009, down from $10.4 billion in 2008. Manitoba's five-year average investment level is $8.1 billion.

Overall, Manitoba's private capital investment is expected to decline 6.8%, more muted than the projected national decline of 9.3%. Public investment is projected to grow 7.0%, below the national increase of 9.5%.

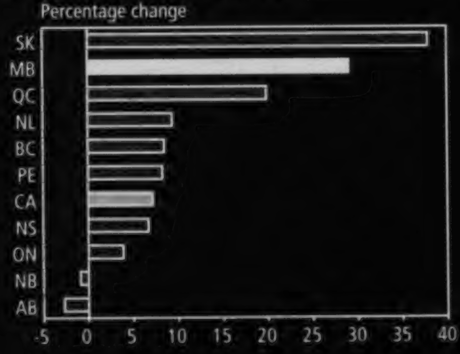
Among industries, the decline in capital spending is relatively broad based with mining exploration and forestry taking a large impact. With several new hotels planned for the near term, accommodation and food services industry capital investment is expected to increase 16.7%. Investment in the utility sector is expected to increase 10.3%.

Several major capital projects have just been completed, are under way or are being planned. Examples include the following.

- **Magellan Aerospace** is investing up to $120 million in new equipment, research and training over the next five to seven years to facilitate work on the Joint Strike Fighter military jet program in development for the U.S. military.
- **Standard Aero** is spending more than $20 million on a plant expansion that could create more than 300 jobs over the next six years. The aircraft-engine repair company is building an 80,000-square-foot addition to its division that does the maintenance, repair and overhaul on General Electric engines that power Bombardier Regional Jets and similarly sized Embraer jets from Brazil.
- **TransCanada Corporation** is building its $5.2 billion Keystone Pipeline, a crude oil pipeline stretching from Hardisty, Alberta through Manitoba to the U.S. Midwest markets at Wood River and Patoka, Illinois. The Manitoba component of the pipeline is estimated to cost over $400 million.
- **Hytek Ltd.** is investing $59 million in its **Springhill Farm** hog-processing facility in Neepawa, Manitoba. This will enable the processing facility to increase production from 800,000 hogs a year to 1.4 million.
- **Keystone Processors** (formerly Natural Prairie Beef) is converting the former Maple Leaf pork processing plant in Winnipeg into a beef processing facility. The company will initially use the plant to process cuts of premium-brand naturally raised beef and eventually to turn the plant into a federally inspected, modern beef slaughtering and processing facility.
- **Weston Bakeries** is currently building a new $25 million manufacturing plant in Winnipeg.

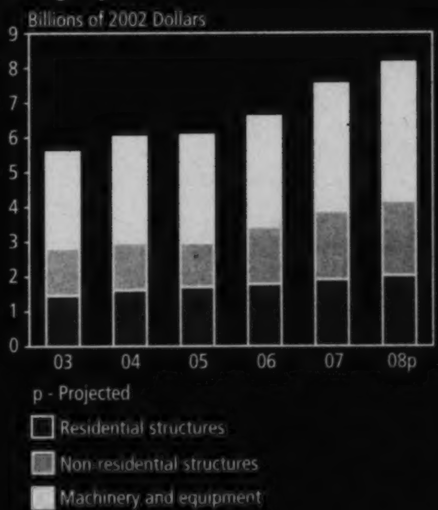
Chart 30

Total Capital Investment Growth, 2006 to 2009i



i - Intentions
Source: Statistics Canada

Chart 31
Real Capital Expenditures by Category



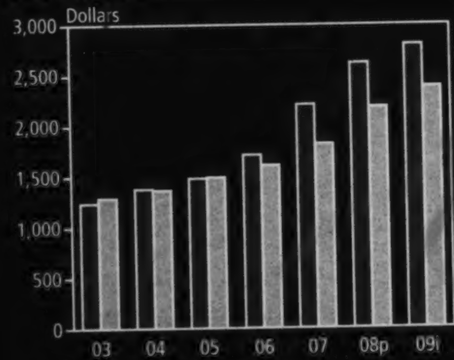
Source: 2003-2007: Statistics Canada
2008: Manitoba Bureau of Statistics

- **Sunbelt Prairie Products** is expected to process pulse crops in June in its new $9.0 million manufacturing facility in Altona. The facility will clean, size, and bag 20,000 tonnes of pulse crops a year, including lentils, dry beans, and chickpeas for shipment worldwide.
- **Vale Inco** is working to advance a business plan that will see the company continue to undertake mining and processing operations in Thompson to 2027 and beyond. In 2008, Vale Inco undertook $240 million in capital expenditures at its Manitoba operations that included investments in enhanced environmental controls and the modernization of its surface plants.
- **Steinbach Credit Union** is constructing another large branch in the northeast part of Winnipeg. The new 43,000-square-foot building will cost $10 million and will employ up to 100 people.
- **Shindico Realty Inc.** will spend between $30 million and $35 million to develop a shopping centre near the existing Kildonan Place Shopping Centre. Construction is expected to begin in 2010.
- **Centre Venture Development Corporation** and the Resolve Group are constructing a $30 million, four-storey, and 80,000-square-foot office, retail and parking complex in Winnipeg. The building will be completed by July 2009 and house the offices of the Winnipeg Regional Health Authority.
- **Marmon/Keystone Canada Inc.** has begun construction of an $8 million service centre at the new Headingley Business Park. The 60,000-square-foot distribution centre is scheduled for completion late summer on 2009.
- **IKEA** announced plans to open a retail store sometime between late 2011 and early 2013. The Winnipeg IKEA will be one of the largest in Canada and will create both construction and retail jobs. The expansion into Winnipeg is conditional on municipal and provincial government approvals.
- **Manitoba Public Insurance** will spend $35 million over the next two years to build four new full-service centres, and to convert existing claims centres to full-service centres. Three centres will be built in Winnipeg and one in Selkirk.
- **Sport Manitoba** is undertaking a $16 million renovation of a five-storey building in Winnipeg's eastside Exchange District which will house the offices for provincial sport organizations and the Manitoba Sports Hall of Fame. Sport Manitoba expects to move into its new location in December 2009.
- Winnipeg-based **Corporate Hotels** has finalized its plans to build a $55 million condominium complex five kilometres north of Gimli.

The completed plan calls for eight buildings with each containing 30 condos.

- **Lakeview Management Inc.** is constructing a new $20 million, seven-storey 100-room luxury hotel located directly across from the new Winnipeg airport terminal building. The completion date is late 2009 or early 2010.
- **Place Louis Riel All-Suites Hotel** is undergoing a $15 million renovation to accommodate growing demand. The project will be completed by late 2009 or early 2010.
- A new $10 million six-storey hotel complex is scheduled to be built in Winnipeg. Work on the proposed project could start as early as the spring of 2009. Although the name of the hotel has not been officially announced, it is reported to be a **Holiday Inn or a Marriott** (Fairfield Inn & Suites).
- Renovations are under way for a new **Four Points by Sheraton** hotel in Winnipeg South. The expansion will add new floors to the hotel to increase the number of guest rooms. Plans also include high-end conference facilities, a swimming pool with solarium windows, and a 600-square-foot exercise centre.
- **B M Lands** is undertaking an extensive housing development project which includes establishing 336 two- and three-bedroom rental units. The project will redevelop 12 run-down buildings and construct six new buildings. The development is thought to be the first community geothermal system in Manitoba.
- A new **Women's Hospital** is being planned next to the Children's Hospital. The hospital will use leading-edge technology to expand the range of medical expertise available to birthing centres in rural and northern Manitoba.
- Construction continues on the **Wuskwatim** generating station, a 200 MW generating unit scheduled to be completed by late 2011 or early 2012. The project is being managed by Wuskwatim Power Limited Partnership with an estimated cost for Wuskwatim of approximately $1.6 billion. The project has supported almost 2,000 person-years of employment in construction jobs with about 2,800 more created by suppliers and through the indirect project impacts.
- **Manitoba Hydro** is in the planning stages for the construction of the **Conawapa** generating station. With a net capacity of 1,485 MW, the project would be the largest generating station in Manitoba. The project would create about 13,000 person-years of direct and indirect employment over the planned eight-year construction period.

Chart 32
Public Capital Investment Per Capita



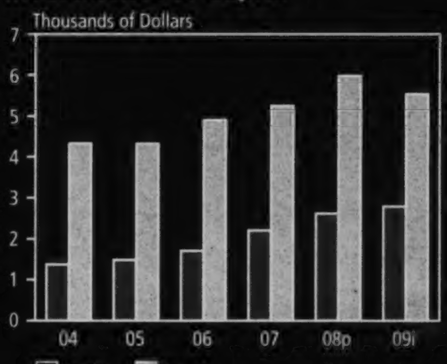
p - Preliminary i - Intentions
Manitoba Canada
Source: Statistics Canada

Supported by the Wuskwatim dam project, Manitoba Hydro's converter station, and the government's initiative aimed at turning Manitoba into a North American transportation hub, the construction sector will continue to fuel the provincial economy.

Conference Board of Canada, March 2009

Chart 33

Manitoba Private and Public Investment Per Capita



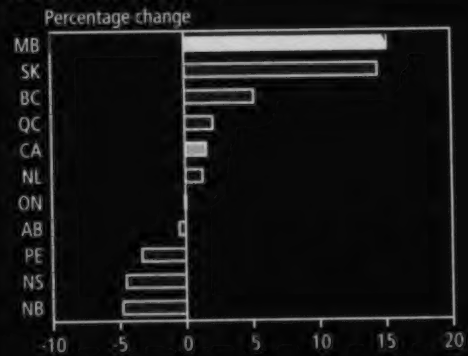
p - Preliminary i - Intentions

Sources: Statistics Canada
Manitoba Finance, survey of economic forecasters

- **Keeyask** is a 695 MW hydro generating facility that could be built about 725 kilometres northeast of Winnipeg on the lower Nelson River, 35 kilometres upstream of the existing Kettle generating station. The project could be in place by 2018 and would generate an estimated 10,500 person years of employment.
- **Manitoba Hydro** is planning to reconstruct the **Pointe du Bois** generating station. The modernization will entail the construction of a new powerhouse, spillway and dam and increase the capacity to 120 MW.
- Construction is continuing on the $665 million **Red River Floodway Expansion**. The expanded waterway will protect the City of Winnipeg from a one-in-700-year-level flood. The completion date for the project is 2010. Over 2,500 people have been employed by the project including many who continue to work on the Floodway today.
- The federal government has declared the **Canadian Museum for Human Rights** a federal institution and it will be the first national museum outside of Ottawa. The $265 million museum in Winnipeg is scheduled to open in 2012.
- **Old Market Square** is currently getting upgraded. The $3.3 million project will include a new stage, public art, and winter amenities such as a curling rink and a 10-metre wide skating oval and pavilion.
- **Central Park** in downtown Winnipeg will receive a $5.6 million renovation. New amenities, more lighting, better landscaping and a refurbished fountain are some of the improvements
- Construction started on the $5.5 million **North End Wellness Centre**. The Centre will offer a climbing wall, portable skateboarding facilities, a youth-oriented weight room, a gymnasium, and a community kitchen. The Centre is expected to open in 2009.
- A new $6.5 million **recreational facility** is being built in East Kildonan. The facility includes a community centre, senior centre, gymnasium, a multi-purpose room, classrooms, meeting rooms, offices and home improvement and creative arts lab.
- **Portage la Prairie**'s new regional sportsplex is currently under construction with the assistance of the federal and provincial $8.3 million funding contribution to the project.
- **YMCA** is restructuring and expanding its Brandon facility at an estimated cost of $16.5 million, with completion date set for December 2010. The Province of Manitoba is contributing a further $1.7 million to this project through the Building Manitoba Fund.

- The **University of Manitoba** announced "Project Domino," a series of capital projects valued at over $100 million. The five-year project will affect 13 faculties, construction of a 350-bed residence, and renovation of several other structures including the conversion of an existing auditorium into a 400-seat performing arts theatre.
- **University College of the North, Thompson** campus construction project includes a teaching facility, housing units and child-care facility. Construction is scheduled in phases, with completion over the next three years.
- **University College of the North, The Pas** campus capital projects include the development of a resource library for teaching and research, and a student services centre.
- The **University of Winnipeg** campus and community redevelopment plan includes the following capital projects update:
  - McFeetors Hall ($12.5 million): Great-West Life Student Residence: construction began in July 2008 for an August 2009 completion date.
  - Richardson College for the Environment and Science Complex ($25 million): Construction began in fall 2008 for a late spring 2010 completion.
  - New Day-Care Centre: Construction begins in March 2009 for an August 2009 completion.
- **The Canwest Centre for Theatre and Film**: Work on most of the teaching areas, labs and studio was completed in September 2008. The interior finishing, the fully equipped flexible studio and landscaping will be completed by April 2009.
- **Assiniboine Community College** will expand its trade apprenticeship opportunities by relocating to a new facility in Brandon. The total cost for the expansion project is estimated at $45 million, and construction costs are estimated at $36 million of the total.
- Construction of the $585 million **Winnipeg James Armstrong Richardson International Airport** terminal is ongoing. The project is expected to be completed later this year.
- **Thompson Regional Airport Authority** plans to build a new terminal at a cost of $12 million to $15 million including infrastructure. Construction would likely begin by September 2009.
- **Via Rail** is undertaking a major upgrade of the train station in downtown Winnipeg. The station upgrade will be completed this year. Major projects will include improvements to platform areas, lounges and lighting as well as general interior and exterior renovations.

Chart 34
Total Private Investment Growth, 2008p

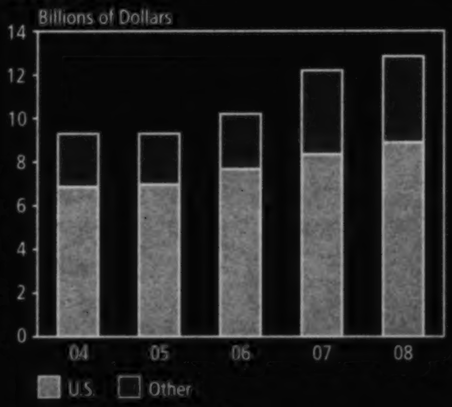


p - Preliminary
Source: Statistics Canada

Capital investment in housing grew at the third-highest rate among provinces in 2008 and a Statistics Canada survey of investment intentions projects Manitoba will have the highest increase in 2009 at 3.2%.

Chart 35

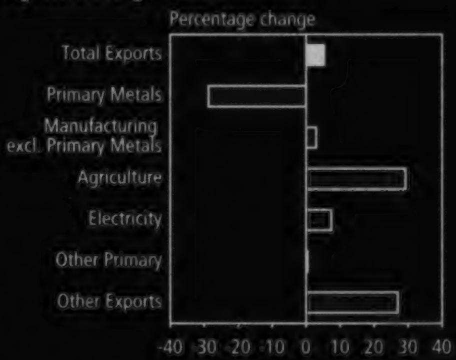
Manitoba Foreign Merchandise Exports



Source: Statistics Canada

Chart 36

Manitoba Foreign Exports by Industry, 2008



Source: Manitoba Bureau of Statistics

- **Greyhound Canada** is currently constructing a $6.3 million bus terminal adjacent to the Winnipeg James Armstrong Richardson International Airport. The new terminal is expected to open in mid-August 2009.
- **Canada Post** plans to build its new state-of-the-art mail-processing plant near the east entrance to the Airport. The $50 million plant is expected to be completed in late 2009 and be operational by June 2010.
- The **City of Winnipeg** and the **Province of Manitoba** signed a $138 million deal to build a rapid transit corridor in Winnipeg. Construction could start as early as the first half of 2009 and be completed in 2011.
- **CentrePort Canada**, Manitoba's inland port, builds on the province's already well-established system of air, rail, sea and trucking routes. CentrePort consists of 20,000 acres of land in the vicinity of the Winnipeg James Armstrong Richardson International Airport that will serve as a transportation, trade, manufacturing, distribution, warehousing and logistics centre. The project undertakes capital investment to create a link of the airport, industrial lands and intermodal rail facilities in the Northwest quadrant of Winnipeg with the Trans-Canada Highway to expedite the movement of goods to international and domestic markets. This linking project alone is expected to generate up to 1,800 direct and indirect person-years of employment. The federal government has indicated its support in partnering with Manitoba and named CentrePort Canada as one of its priorities in Budget 2009. Manitoba's position as an international transportation and distribution gateway is also supported by the Churchill Gateway Initiative, a $68-million partnership with OmniTRAX and the federal government to enhance the port of Churchill and the Hudson Bay Railway. This unique gateway connects the CentrePort with the deepwater subarctic port of Churchill.
- The **RM of Alexander** outlined their plans to construct a $10.3 million new water plant and sewer system. Construction should be completed by 2012.

Foreign Markets

The value of Manitoba's foreign merchandise exports increased 5.3% to $12.8 billion in 2008 (see Chart 35). Manitoba sales to both U.S. and non-U.S. markets increased, with gains concentrated in agriculture goods. A large decline in global demand for primary metals significantly slowed growth in total exports (see Chart 36).

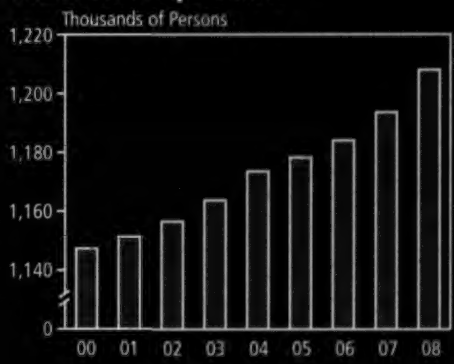
Manitoba foreign exports are less reliant on the U.S. market than Canada, as Manitoba sends a greater share of its exported goods, 30.8%, to non-U.S. destinations compared to Canada at 22.4%. Exports to the U.S. were up

Manitoba Foreign Exports

	2004	2005	2006	2007	2008p	2008 Share
	(Millions of Dollars)					(%)
BY INDUSTRY						
Manufacturing						
Primary Metals	963.0	1,040.3	1,761.8	2,717.7	1,938.3	15.1
Food	1,195.4	1,083.5	1,056.9	1,226.8	1,485.8	11.6
Transportation Equipment	931.3	1,007.2	1,072.1	1,141.5	965.5	7.5
Machinery	728.3	777.1	746.2	779.1	994.2	7.7
Chemical Products	457.8	459.9	955.2	704.1	617.3	4.8
Wood	638.4	623.0	502.5	434.2	304.1	2.4
Paper	300.5	294.2	268.1	246.1	277.7	2.2
Electrical and Electronic	192.4	238.0	220.0	239.8	273.5	2.1
Plastics	233.9	242.3	248.4	234.5	237.1	1.8
Fabricated Metal	130.8	163.1	156.9	206.6	291.8	2.3
Printing and Publishing	183.9	189.4	186.7	150.4	132.5	1.0
Petroleum	166.4	97.9	91.2	117.0	112.0	0.9
Clothing and Textiles	99.0	74.8	65.6	58.6	28.1	0.2
Furniture and Fixtures	111.1	94.9	76.2	58.0	44.6	0.3
Other Manufacturing	166.2	148.5	147.9	129.8	132.7	1.0
Total Manufacturing	**6,498.3**	**6,534.2**	**7,555.7**	**8,444.3**	**7,835.1**	**61.1**
Agriculture	1,959.4	1,720.0	1,595.1	2,533.4	3,276.9	25.5
Electricity	379.7	539.8	507.8	480.0	515.9	4.0
Crude Petroleum	106.5	83.9	92.6	289.1	658.9	5.1
Other Primary	30.2	46.5	41.1	75.7	76.1	0.6
Other Exports	322.7	376.2	402.8	369.2	468.8	3.7
Total Exports	**9,296.9**	**9,300.5**	**10,195.1**	**12,191.6**	**12,831.8**	**100.0**
BY DESTINATION						
United States	6,858.5	6,972.8	7,670.8	8,347.5	8,877.5	69.2
Japan	455.0	476.6	386.6	517.5	638.9	5.0
China, P. Rep.	413.9	317.6	430.8	761.3	614.9	4.8
Mexico	255.0	176.2	152.9	218.8	310.5	2.4
Hong Kong	171.7	142.4	217.4	303.6	258.3	2.0
United Arab Emirates	14.8	7.9	26.8	73.4	121.0	0.9
Iran	7.7	13.9	22.2	18.6	119.2	0.9
Russia	8.2	26.4	59.3	40.7	114.2	0.9
Indonesia	40.9	47.4	55.7	85.8	98.5	0.8
Taiwan	61.8	64.2	101.6	220.8	96.5	0.8
Other countries	1,009.4	1,055.1	1,070.8	1,603.7	1,582.3	12.3
Total Exports	**9,296.9**	**9,300.5**	**10,195.1**	**12,191.6**	**12,831.8**	**100.0**

Note: Totals may not add due to rounding.
Source: Manitoba Bureau of Statistics

Chart 37
Manitoba Population



Source: Statistics Canada

> **(Provincial Nominee) Program improvements, coupled with an attractive labour market and positive growth, will keep the flow of international immigrants near record highs.**
>
> Canada Mortgage and Housing Corporation, February 2009

6.3% in 2008. Gains in non-U.S. markets were up 2.9% overall. Exports to Manitoba's second-largest market, Japan, increased by 23.5% while shipments to China slipped after several years of strong increases. Other major countries that purchased more from Manitoba in 2008 include Russia, United Arab Emirates, and Mexico.

In 2008, exports were largely boosted by agricultural commodities and related manufactured goods. Agricultural exports gained 29.1%, with increased oilseeds exports sent to China, the United Arab Emirates, Belgium, Mexico, the U.S. and Japan. Sales of Manitoba wheat increased 46.2%, with exports rising in established markets, such as the U.S., Japan, Sri Lanka, and Indonesia, and Iran and Pakistan becoming large wheat customers in 2008. For livestock, the value of beef and cattle exports increased 9.4%, but hog exports declined 31.1%.

Manufactured goods related to agriculture also increased. Canola oil saw a 72.4% increase. Russian and American purchases led to a substantial 53.6% gain in agricultural machinery exports. Midwestern states comprised the bulk of a 17.2% increase in demand for Manitoba fertilizer.

While Manitoba exports of metal smelting and refining products gained 176.5% between 2005 and 2007, 2008 saw a 32.3% drop in the value of these exports. Excluding the reduction in metals exports, all other manufacturing exports gained 8.6%. The sharpest and largest declines of smelted and refined metals exports came from China, the U.S. and Taiwan. Despite the drop, last year's metals exports were still at the second-highest level in the past decade.

Population

Manitoba's population increased by a record 14,445 persons in 2008 or 1.2% (see Chart 37). Population for 2008 is estimated at 1,207,959 persons, the fifth largest among provinces. (Note: the July 1 estimate is considered the official annual population.) For the first time since 1992, every region of the country experienced growth in population.

Manitoba's population as at October 1, 2008 is estimated at 1,210,547, up 2,588 persons from the previous quarter.

Manitoba has been very successful in growing its population base at a critical time, as labour shortages develop in many sectors of the economy. Over the last five years to October 2008, population grew by 44,800 persons compared to 27,400 persons in the previous five-year period and 19,700 persons in the five-year period before that.

The success of the increasing population base can largely be attributed to the Manitoba Provincial Nominee Program (PNP). This program

provides a broad framework to recruit and nominate skilled workers and business immigrants who have a strong likelihood of becoming successfully established and make a positive contribution to the province. This program helps co-ordinate business, labour and government interests in expanding employment and business enterprises in Manitoba through immigration.

A salient feature of Manitoba's PNP is its emphasis on settling, integrating and retaining immigrants. The program commits to providing responsive settlement services that assist immigrants at each stage of the immigration process. It ensures that immigrants have the best information to participate fully in Manitoba's labour force and community life. Through this program, solid population gains are occurring not only in Winnipeg, but in several other smaller communities like Steinbach, Brandon and Winkler. In 2007, 28.5% of Manitoba immigrants landed as provincial nominees decided to settle in communities outside of Winnipeg.

Competition among provinces to attract and retain skilled foreign workers continues to grow. However, Manitoba has steadily boosted its share of national immigration to 4.5% in 2008, the second-largest share of total Canadian immigration in over 25 years. In 2008, Manitoba immigration increased by 2.5%, reaching 11,230 persons (preliminary annual estimate).

Other components of population growth have also been positive for the province. In October 2008 on an annual basis, net interprovincial migration improved to a net loss of 1,717 persons, the lowest level in over 20 years. Interprovincial in-migration increased by 3,093 persons to 17,775 persons, the highest level since 1990 and 24% higher than the 10-year average. Interprovincial out-migration also increased last year to 19,492 persons, 9% above the 10-year average.

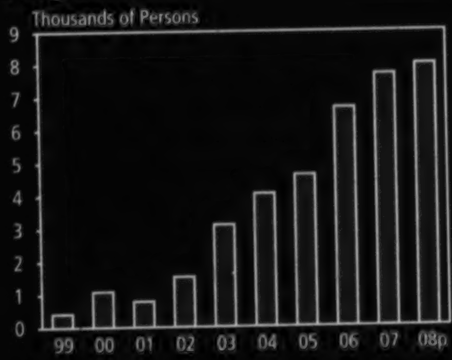
Because of years of strong immigration and the "echo-boom" generation entering adulthood, the annual number of births in Manitoba has increased in the past six years. In 2008, the number of births was estimated at 14,800, the highest in 12 years.

Historical data suggest that after a recession in Canada, interprovincial out-migration sharply decreases and in-migration improves somewhat in the province. The recent improvement in interprovincial net migration and increasing natural growth (births minus deaths) are encouraging signs for continued population growth in Manitoba.

Manitoba Finance's survey of demographic forecasters shows that Manitoba's annual population growth is projected to increase by 7,271 persons in 2009 and by 9,051 persons in 2010.

Chart 38

Manitoba Provincial Nominee Program



p - Preliminary

Note: Provincial Nominees are a subcategory of Economic Class Immigrants

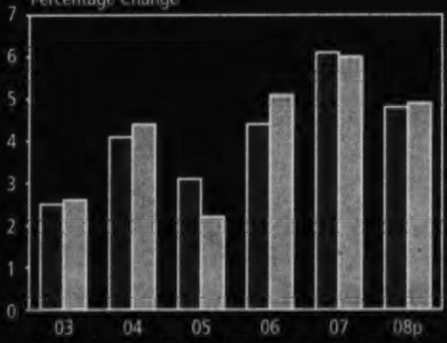
Source: Citizenship and Immigration Canada

For two years in a row, the number of Albertans moving to Manitoba has jumped while the number of Manitobans moving to Alberta declined.

Canada West Foundation, December 2008

Chart 39

Manitoba's Personal Income Per Capita and Personal Disposable Income Per Capita



p - Preliminary

Personal Income / Personal Disposable Income

Sources: Statistics Canada
Manitoba Bureau of Statistics

HIGHER INCOMES

One of the principal benefits of a growing economy is growing incomes. Higher incomes promote savings and investment, along with higher personal consumption and increased living standards.

Personal income (PI) and personal disposable income (PDI) are two principal measures of overall economic well-being. PI includes wages and salaries, investment income and transfers from government (for example, employment insurance benefits and CPP income). PDI is personal income less personal income taxes and social security programs contributions. Broadly, PDI is the income left to individuals after their personal taxes have been paid.

Despite a sharp increase in population in 2008, Manitoba's PI per capita increased at its third-highest rate in 18 years, following a large gain in 2007, and Manitoba's PDI per capita grew at the second-highest rate in 18 years. Manitoba's PI per capita grew 4.8% and PDI per capita rose 4.9% (see Chart 39), both greater than Canada and bolstered by an increase in total wages and salaries of 6.4%. The increase in wages and salaries was the second highest in 24 years; they have grown more than 4% annually for seven consecutive years.

After adjusting for inflation, 'real' PI has also increased favourably in comparison to other provinces, according to the latest available interprovincial data (2007). From 1999 to 2007, real PI per capita growth significantly outperformed the previous eight-year period, from 1990 to 1998.

Real PDI per capita ranked ninth among provinces in the 1990-1998 period, in contrast to the sixth-highest rank during the 1999-2007 period (see table). Real PDI per capita contracted 4.7% between 1990 and 1998 compared to Canada's decline of 1.9%. Between 1999 and 2007, real PDI per capita advanced 14.0%, compared to Canada's 15.9% increase.

Real PI per capita has increased 9.4% over the past five years. In the past 28 years since these data series were established, real PDI per capita of Manitobans has never been higher (see Chart 40).

Real Personal Disposable Income Per Capita

	2007		% change	
	$ per capita	% change	1990-98	1999-2007
Canada	24,470	2.4	(1.9)	15.9
Manitoba	22,527	3.9	(4.7)	14.0
MB Rank*	4	2	9	6

*1=Highest among provinces; 2008 data for other provinces is not available.
Source: Statistics Canada

Looking ahead, a consensus survey of private economic forecasters indicates a positive outlook for income in 2009 with Manitoba growth exceeding the national forecast. With both employment and wages expected to grow, PDI per capita is estimated to rise 2.1%, well ahead of Canada's estimated 0.9% growth. Despite global economic challenges, continued growth in real PDI per capita for Manitobans is projected in 2009 at 0.9%, above the 0.1% forecast for Canada.

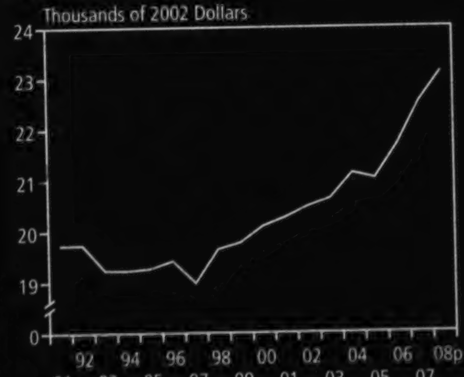
MANITOBA OUTLOOK

Manitoba Finance surveys several independent forecasting agencies regarding their economic projections for Manitoba, other provinces and Canada. The survey is used to establish a consensus for the economic outlook.

The combination of international financial turmoil, economic recession and an increasing interdependency on international trade has complicated the usual task of economic forecasting. Finding a consensus view among forecasters has become harder because of constant revisions to forecasts. Many agencies have had to substantially change their outlooks over the past year.

In reviewing these forecasts, it is clear that professional economic forecasters' views of the global recession vary considerably. Some expect a short but steep downturn through to the middle of 2009 and a strong recovery in late 2009 and 2010. Others suggest that, due to the deep and broad nature of the downturn, slower growth will persist through 2010 before a recovery takes hold.

Chart 40
Manitoba Real Personal Disposable Income Per Capita, 1991 to 2008p



p - Preliminary
Sources: Statistics Canada
Manitoba Bureau of Statistics

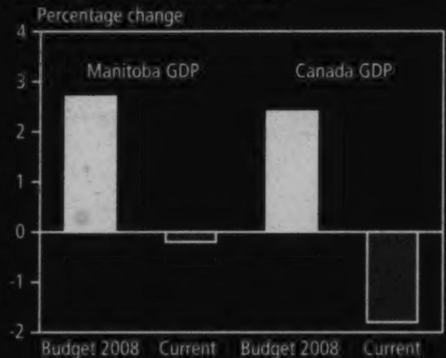
Manitoba Outlook at a Glance

	2008	2009f	2010f
	(% change)		
Gross Domestic Product			
Real	2.2	-0.2	2.0
Nominal	6.3	-1.9	3.6
Employment	1.7	-0.4	0.4
Unemployment Rate (%)	4.2	5.4	6.0
CPI	2.3	0.6	2.0
Population	1.2	0.6	0.7

f - Forecast
Sources: 2008: Statistics Canada and Manitoba Bureau of Statistics
2009-2010: Manitoba Finance, survey of economic forecasters

Chart 41

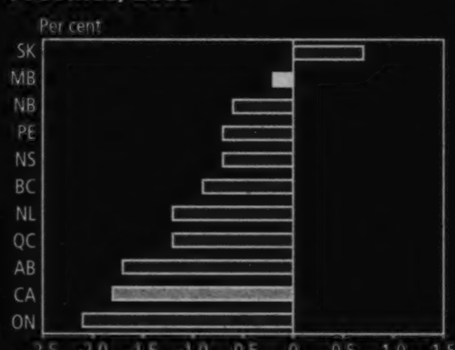
2009 GDP Forecast Change Between Manitoba Budget 2008 and Current Forecast



Sources: Manitoba Budget 2008, Manitoba Finance, survey of economic forecasters

Chart 42

Real GDP Growth Forecast by Province, 2009



Source: Manitoba Finance, survey of economic forecasters

Based on current forecasts, the consensus is leaning toward a substantially weaker economy in 2009 and a recovery in 2010. Manitoba's real GDP is expected to decline 0.2% in 2009, down from a projection of 2.7% in last year's Manitoba Budget (see Chart 41). Relative to other provinces, Manitoba is expected to generate the second-best change in real GDP this year. All Canadian provincial economies, except Saskatchewan, are expected to contract this year, combining for a 1.8% national average decline. Canada's two larger provinces are projected to be the weakest, with Ontario growth estimated at -2.1% and Alberta at -1.7%.

One measure for the severity of an economic recession is the number of job losses in an economy. For Manitoba, forecasters currently expect a 0.4% employment loss. This is the second-best projected result among provinces. Nationally, the 2009 recession is expected to cut the number of employed workers by 257,000. Only Saskatchewan is projected to gain workers.

With the loss of employment and the "echo boom" age cohort boosting the working age population in the province, the unemployment rate is anticipated to increase from 4.2% in 2008 to 5.4% this year. This is forecast to be the second-lowest rate among provinces in 2009 and well below the national forecast rate of 8.1%.

Corresponding to slower demand for goods and services, consumer price increases are expected to slow to 0.6%, the lowest increase in CPI since the early 1960s. Inflation will pick up to 2.0% in 2010 as the economy recovers.

Generally, forecasters focus on a number of factors that are important in stabilizing the Manitoba economy in the current economic downturn. These factors include a high level of business and government capital investment planned or under way, a strong labour market, an extremely low unemployment rate, a diversified economic base and the balanced interprovincial and international export markets. Manitoba continues to have among the lowest ratios of personal debt to personal disposable incomes in Canada. Together, these conditions suggest that Manitoba will be more resilient through an international recession than most other regions in Canada.

However, there are numerous downside risks for Manitoba's outlook. A greater than expected deterioration of demand, especially from the U.S. and other provinces, would increase uncertainty to Manitoba's exports. The almost daily sharp movement to exchange rates increases the risks and undermines confidence in international transactions. The credit strains for financial institutions could linger for a longer period. A slower than anticipated recovery in Europe and Asia could undermine a strong recovery in 2010.

THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY

Economic diversity with a broad industrial base is a key attribute of the Manitoba economy. Many credit rating agencies and leading economic forecasters, including Moody's Investors Services, Standard and Poor's, Dominion Bond Rating Service and Conference Board of Canada have all cited diversity as one of the province's main economic assets.

The large and diverse economic structure has provided Manitoba with stability and consistent growth over the last decade (see Chart 43). Fluctuations of economic performance have been moderated as weaker performance in some sectors has been offset by greater strength in other sectors. .

The province's diverse economic structure, encouraged by initiatives and development, has fostered a vibrant yet stable economy. According to Statistics Canada's real GDP data, Manitoba is the most stable economy in Canada as measured by the least amount of variation in growth over a ten-year period. Manitoba is one of only three provinces that have generated 16 consecutive years of positive employment growth. Among these, Manitoba's employment growth has been the most consistent. Manitoba is also unique among provinces with 17 consecutive years of private investment growth.

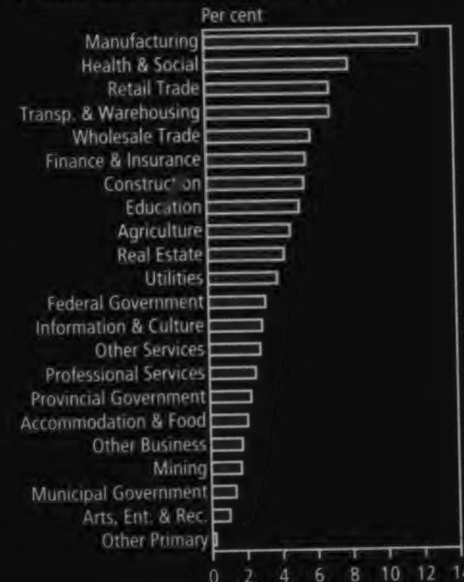
Manitoba's geographic location has been an important element in developing a diverse economy. Since Manitoba is located at the centre of Canada, it has become a manufacturing and wholesale distribution centre for Ontario, Western provinces and the North. To the south, the mid-continental trade corridor has opened opportunities to promote economic development and trade with the U.S. and Mexico. To the north, the port of Churchill has opened up a gateway linking the economy of central North America to key European, Mediterranean and African destinations. Initiatives like CentrePort Canada aim to capitalize on these advantages and further enhance the diversity of economic activity in the province.

One of the factors that has fuelled Manitoba's diversification and high levels of capital investment is the notable cost advantage over other provinces and U.S. states. Living costs in Manitoba are among the most affordable in Canada, with house prices, auto insurance, electricity, university and college tuition fees all among the lowest in Canada. A major international study in 2008 identified Winnipeg as the most affordable large city in Canada in which to purchase a home.

Research and innovation continue to play a major role by supporting new industries that further promote the diversification of Manitoba's economy. Significant research and development is taking place in medical and

Chart 43

Shares of Manitoba Gross Domestic Product, 2008p



p - Preliminary
Source: Manitoba Bureau of Statistics

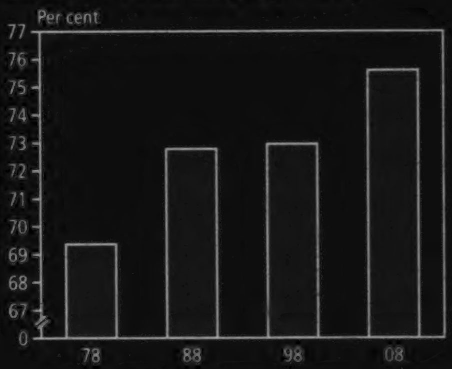
Manitoba's well-diversified economy… produced yet another solid economic performance in 2007 with real GDP rising 3.3%. Monthly indicators point to continuing strength in the provincial economy through November 2008.

Standard & Poor's, December 2008

> **This balance we observe in Manitoba's diversified economy should help it weather the storms ahead and post growth higher than the Canadian average.**
>
> Canada West Foundation, December 2008

Chart 44

Manitoba Service Industries Share of Total Employment



Source: Statistics Canada.

pharmaceutical sectors, business and information technology services and the agrifood sector.

In a shared alliance between university and industry, to broaden the province's research and development capacity and its commercial base, the SMARTpark Development Corporation was created at the University of Manitoba. SMARTpark is involved in diverse research areas including information and communications technology, engineering and advanced materials, health and biotechnology, and agricultural and nutritional sciences. SMARTpark is well suited to forge a bridge between research and development and manufacturing for start-up venture capital. For example, Cangene Corporation provides biopharmaceutical research and development services, bulk product manufacturing and finished product manufacturing. SMARTpark facilitates the transformation from innovation to product manufacturing to sales. Participating companies increase diversification and stability of Manitoba's manufacturing sector.

Manitoba has developed a dynamic hub for the manufacture of transportation equipment. The province manufactures both intercity and transit buses, aerospace equipment and parts, farm equipment and rail equipment. Demand for New Flyer Industries energy-efficient hybrid transit buses has sharply risen. Manitoba is also Canada's third-largest centre for the manufacture of aerospace equipment with Boeing Canada, Bristol Aerospace, Standard Aero and AVEOS Fleet Performance (formerly Air Canada Technical Services) all located in Winnipeg.

The agriculture sector in Manitoba has continued to adapt to changing market conditions and technology. Income in the sector is evenly balanced between crop and livestock production. Manitoba is also home to several agricultural research institutions and organizations, including Richardson Centre for Functional Foods and Nutraceuticals, Cereal Research Centre and the Food Development Centre. Manitoba is also home to the Canadian headquarters of Monsanto and Cargill.

Manitoba's economic stability is also rooted in its relatively large service sector. The service sector tends to be more stable through the business cycle relative to the goods-producing sector. Important service sector industries in Manitoba include wholesale and retail trade, finance, insurance and real estate, transportation and warehousing, health care, and education. These industries have expanded to account for approximately 72 % of the total economy, higher than the Canadian average of 69%. The service sector accounts for three quarters of all jobs in the province (see Chart 44).

Finance, insurance and real estate sectors are evenly divided between finance and insurance industries and real estate industries. The finance and insurance

sector presence in Manitoba is highlighted by the national head offices of Investors Group, one of the largest mutual fund distributors in Canada, Great-West Life, one of Canada's largest insurance providers, and National Leasing Group Incorporated, the largest independent Canadian leasing company.

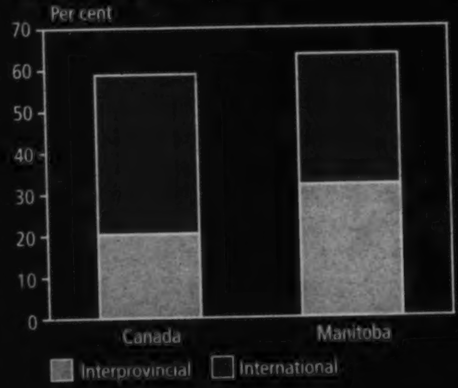
The gradual expansion of value-added production in the province can be best illustrated by the change in the shares of exports among major industries. In particular, manufacturing, which accounted for about 57% of Manitoba's foreign merchandise exports in 1996, has now increased to over two-thirds of exports. New product lines in areas such as furniture, prepared meats, potato products, industrial chemicals, plastics products, biopharmaceuticals, farm implements, printing and publishing goods, and energy-efficient transit buses have increased dramatically. This continual broadening and renewal of Manitoba's economic base offers the prospect for continued stability and certainty for Manitobans in the future.

Manitoba's pattern of external trade also lends itself toward economic stability. As indicated on Chart 45, total exports account for 63.4% of the Manitoba economy, ahead of the national average of 58.9%. Notably, these exports are evenly split between international and interprovincial destinations, roughly a 1:1 ratio. This split is the most balanced among provinces (see Chart 46). In contrast, the average provincial ratio is skewed toward international exports with a 3:2 ratio. Manitoba's balance between interprovincial and international exports provides a measure of stability during international currency and financial market shocks. It also provides greater balance to the economy when there are disparities in growth between Canada and foreign markets by reducing Manitoba's exposure to sharp changes in foreign sales.

The merits of a diversified economic structure are clear: it provides a stabilizing mechanism during challenging economic conditions, an opportunity to expand into development of new goods and services, and a chance to explore new domestic and global markets. At no time in recent history has stability been a more valued asset than in these uncertain economic times.

Chart 45

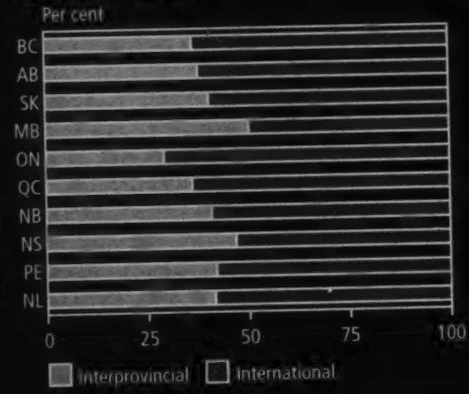
Ratio of Exports to Gross Domestic Product, Canada and Manitoba, 2007



Source: Statistics Canada

Chart 46

Ratio of Interprovincial to International Exports, By Province, 2007



Source: Statistics Canada

MANITOBA ECONOMIC STATISTICS, 2004 TO 2008

	2004	2005	2006	2007	2008
	Millions of Dollars				
SECTORS					
Farm Cash Receipts	3,876	3,804	3,687	4,314	4,705
Crops	1,805	1,298	1,279	2,176	2,717
Livestock	1,642	1,808	1,781	1,726	1,666
Direct Payments	430	699	626	413	322
Manufacturing Sales	13,263	13,702	14,854	16,111	16,397
Mining	1,406	1,576	2,619	3,070	2,520
Electric Power Sales	1,435	1,797	1,697	1,667	1,737
Export Sales	488	818	702	613	634
Housing Starts (no. of units)	4,440	4,731	5,028	5,738	5,537
Retail Trade	11,692	12,381	12,870	14,008	15,000
FOREIGN EXPORTS					
Total Exports	9,297	9,301	10,195	12,192	12,834
U.S.	6,859	6,973	7,671	8,348	8,878
GROSS DOMESTIC PRODUCT					
Nominal	39,499	41,402	44,728	48,225	51,275
Real	37,566	38,593	40,080	41,327	42,226
BASE RATE WAGE SETTLEMENTS (%)					
Public	3.2	3.0	2.6	2.9	3.6
Private	1.6	2.5	2.9	4.0	2.6
Total	2.6	2.9	2.6	3.0	3.4
INVESTMENT					
Total	6,699	6,836	7,837	8,903	10,386
Private	5,082	5,091	5,811	6,267	7,221
Public	1,617	1,745	2,027	2,635	3,165
Non-residential	5,181	5,201	6,042	6,803	7,952
Housing	1,518	1,635	1,796	2,099	2,434
POPULATION					
July 1 (000's)	1,174	1,178	1,184	1,194	1,208
LABOUR MARKET					
Labour Force (000's)	608.9	609.4	613.5	623.9	633.0
Employment (000's)	576.6	580.3	587.0	596.5	606.7
Participation Rate (%)	69.1	68.6	68.8	69.4	69.6
Unemployment Rate (%)	5.3	4.8	4.3	4.4	4.2
CONSUMER PRICE INDEX					
(Index: 2002 = 100)	103.8	106.6	108.7	110.9	113.4
BANKRUPTCIES					
Business	178	149	160	102	103
Farm	27	26	36	28	22
Personal	2,339	2,507	2,254	2,040	2,025

Sources: Statistics Canada and Manitoba Bureau of Statistics

2004	2005	2006	2007	2008	
Annual Percentage Change					
					SECTORS
7.5	-1.9	-3.1	17.0	9.1	Farm Cash Receipts
6.1	-28.1	-1.4	70.1	24.9	Crops
2.7	10.1	-1.5	-3.1	-3.5	Livestock
39.6	62.4	-10.4	-34.1	-21.9	Direct Payments
4.6	3.3	8.4	8.5	1.8	Manufacturing Sales
34.0	12.1	66.1	17.3	-17.9	Mining
11.9	25.2	-5.5	-1.8	4.2	Electric Power Sales
28.3	67.5	-14.2	-12.7	3.4	Export Sales
5.6	6.6	6.3	14.1	-3.5	Housing Starts (no. of units)
6.7	5.9	3.9	8.8	7.1	Retail Trade
					FOREIGN EXPORTS
1.1	0.0	9.6	19.6	5.3	Total Exports
-1.8	1.7	10.0	8.8	6.3	U.S.
					GROSS DOMESTIC PRODUCT
5.9	4.8	8.0	7.8	6.3	Nominal
2.2	2.7	3.9	3.1	2.2	Real
					BASE RATE WAGE SETTLEMENTS (%)
-	-	-	-	-	Public
-	-	-	-	-	Private
-	-	-	-	-	Total
					INVESTMENT
8.7	2.0	14.6	13.6	16.7	Total
7.7	0.2	14.1	7.9	15.2	Private
12.1	7.9	16.2	30.0	20.1	Public
5.6	0.4	16.2	12.6	16.9	Non-residential
20.8	7.8	9.8	16.9	16.0	Housing
					POPULATION
0.8	0.4	0.5	0.8	1.2	July 1 (000's)
					LABOUR MARKET
1.4	0.1	0.7	1.7	1.5	Labour Force (000's)
1.1	0.6	1.2	1.6	1.7	Employment (000's)
-	-	-	-	-	Participation Rate (%)
-	-	-	-	-	Unemployment Rate (%)
					CONSUMER PRICE INDEX
2.0	2.7	2.0	2.0	2.3	(Index: 2002 = 100)
					BANKRUPTCIES
-26.7	-16.3	7.4	-36.3	1.0	Business
-3.6	-3.7	38.5	-22.2	-21.4	Farm
-10.3	7.2	-10.1	-9.5	-0.7	Personal

APPENDIX 1: RESEARCH AND INNOVATION

Research and development (R&D) helps nurture the ideas and methods that ultimately lead to innovation. Innovation and the development of new breakthroughs in production or distribution can give firms the edge they need in an increasingly competitive global marketplace. Likewise, those at the forefront of innovation are best positioned to advance the growth of higher value-added sectors, including better-paid, knowledge-based jobs. In the absence of innovation, economies may lose competitive position and societies will not realize the full benefits that innovation can bring: higher productivity, rising incomes, a cleaner environment and a better quality of life.

Manitoba has a strong record in fostering R&D and innovation through a partnership of industry, higher education, the non-profit sector and governments. With this partnership, investments in research, innovation and skilled work force development for knowledge-based industries will continue to grow.

Budget 2009 further enhances the Province's support for R&D through an improvement to the Manitoba Research & Development Tax Credit. The 20% credit is made refundable for certain eligible expenditures after 2009 (see Budget Paper C, Taxation Adjustments).

Manitoba's Research Environment

Statistics Canada estimates that total gross expenditure on R&D in Manitoba in 2006 was $558 million. This is below the record-high level established in 2005, but substantially higher than levels in 2000. Altogether, R&D spending in Manitoba was equal to about 1.2% of GDP in 2006.

Thousands of Manitobans are employed in R&D activities. Statistics Canada estimates that, in 2005 (the latest year for which data are available) 4,350 Manitobans were engaged in R&D. This is an increase of 440 personnel from the previous year, equal to an 11.3% rise in the year. Higher education and business enterprises accounted for 85% of this total. Governments and the non-profit sector are other categories of R&D performers.

Chart 47
Total R&D Spending in Manitoba, 2000 to 2006

Source: Statistics Canada

Industry is an important contributor to the overall research environment in Manitoba. In 2006, 184 Manitoba businesses were involved in R&D programs in the province. Business enterprise invested $192 million in Manitoba R&D activities in 2006, about one-third of the R&D spending in the province.

While R&D in the province is conducted across a variety of industries, manufacturing, Manitoba's largest industry, accounted for 62% of R&D activity in 2006. Sectors involved in research and innovation in Manitoba include pharmaceuticals, aerospace product and other transportation equipment, utilities and agriculture.

One of Manitoba's widely recognized research strengths is in the fast-growing life sciences sector. The province's life sciences companies employ about 4,700 people. The majority of these Manitobans work for integrated firms or manufacturers, such as Cangene Corporation, Apotex Fermentation Inc., Biovail and Vita Health.

Manitoba is also home to a number of major public life sciences research facilities. These include the Public Health Agency of Canada, Agriculture and Agri-Food Canada's Cereal Research Centre, Canadian Science Centre for Human and Animal Health,

Manitoba Institute of Cell Biology, Manitoba Institute of Child Health, National Research Council – Institute for Biodiagnostics, Richardson Centre for Functional Foods and Nutraceuticals, St. Boniface General Hospital Research Centre and the University of Manitoba.

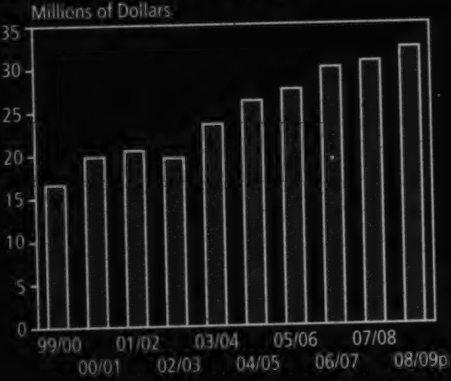
Construction of the first phase of the new Siemens Institute for Advanced Medicine (SIAM) is largely complete; the cost of the new 80,000-square-foot structure is estimated at $25 million with additional amounts earmarked for equipment. SIAM, to be used for both treatment and research, is built adjacent to the Health Sciences Centre in Winnipeg and will become a global centre of excellence in the development of advanced medical methods and technology. Focussing on neuroscience, advanced surgery and advanced imaging, several hundred staff will be employed at the centre. SIAM will house the province's first cyclotron (which will produce radio isotopes used to perform PET scans), a Siemens Artiste non-invasive surgical device, Manitoba's second gamma knife (an advanced treatment for brain tumors that cannot be effectively treated with other techniques) and an inter-operative MRI, developed and manufactured in Manitoba by IMRIS Inc.

The federal government continues to have a major presence in science and technology funding in Canada. In Manitoba, federal funding for R&D was estimated at $150 million for 2006, approximately 2.9% of the national total. The federal government supports science activities performed by federal departments and agencies as well as by providing funding to universities, businesses or other organizations.

Provincial Support for Research and Innovation

The Province supports research and innovation both through direct spending programs and through the Manitoba R&D Tax Credit. In 2008/09, direct expenditure on R&D by the Provincial Government is estimated at $32.2 million, up 5.2% from 2007/08 (see Chart 48). Most of the Provincial Government's direct expenditure commitment to R&D is provided to universities, hospitals and other health organizations, including the Manitoba Health Research Council. The balance of Provincial R&D expenditure supports the work of Government departments, private businesses and other parties.

Chart 48
Manitoba Provincial Government R&D Expenditures, 1999/2000 to 2008/2009p



p - Preliminary Estimate
Sources: Statistics Canada
Manitoba Science, Technology, Energy and Mines

Manitoba's R&D Tax Credit encourages private sector R&D activity in Manitoba. The Tax Credit was established in 1992 and provides firms undertaking R&D in the province with substantial support for R&D investment through a non-refundable credit for qualifying R&D expenditures. Budget 2006 boosted the credit rate to 20% of eligible expenditures from 15%. (see "Manitoba Research and Development Tax Credit", page 42).

Manitoba partners with federal government research funding programs through the Manitoba Research and Innovation Fund (MRIF). The MRIF was established in 2003 to assist in increasing the capabilities of Manitoba universities, colleges, hospitals and not-for-profit sector to conduct scientific research and product development. The Fund also enhances the ability of Manitoba research institutions to attract and retain world-class researchers and technicians, and increases Manitoba's capacity to innovate through such means as supporting science awareness and technology commercialization. Since 2003, it has provided over $73 million in research and innovation support for health and agriculture, technology and aerospace, cultural and new media industries, and alternative energy developments.

MRIF also leverages funds from outside sources, such as the Canada Foundation for Innovation, the Canadian Institutes of Health Research, the Regional Partnerships Program, Genome Canada and the Networks of Centres of Excellence Program.

As well as providing health research support through the various MRIF sub-component programs, Manitoba has implemented the Health Research Initiative (HRI). The objectives of the Initiative are to assist Manitoba's health research centres to increase R&D activities in Manitoba and facilitate sustained economic growth and the creation of high-quality jobs. The program is an incentive-based initiative with the distribution of funds tied to the amount of research revenue each Manitoba health research centre attracts from private industry and from non-governmental granting agencies outside the province. This year, the HRI will provide $2 million to support operating costs for five health research centres in Manitoba.

The Province provides support to the Manitoba Health Research Council (MHRC) and the Manitoba Centre for Health Policy. The Council promotes and assists health sciences in Manitoba and advises the Ministers of Health and Science, Technology, Energy, and Mines on health matters referred to the MHRC. The Council operates a number of funding programs including awards to post-doctoral and graduate students, PhD dissertation awards, and operating and establishment grants. Since 2007/08, the Province of Manitoba's annual support for the MHRC has increased from $1.95 million to $6.0 million. This funding increase has enabled the MHRC to provide additional grants and awards to local researchers and trainees, enhancing its program complement.

The Government of Manitoba is also a partner with the federal government in the Networks of Centres of Excellence program. This program was established to support research at universities and hospitals in partnership with the private sector. Manitoba's objectives in developing the Manitoba Centres of Excellence Fund (MCEF) are to attract and maintain world-class R&D activity to Manitoba and to generate related spin-off benefits for local companies and non-profit institutions.

In 2008/09, 10 Networks of Centres of Excellence research programs at the University of Manitoba received support totalling $650,000 through the MCEF. Grants were provided to research programs such as the Intelligent Sensing for Innovative Structures Canada research network (headquartered at the University of Manitoba), the Canadian Arthritis Network, Mathematics of Information Technology and Complex Systems research network, the Obesity research network and the Care of the Elderly research network.

Manitoba continues to support a number of major research initiatives in the province related to agriculture. Sponsored by the provincial and federal governments, the Agri-food Research and Development Initiative (ARDI) funds research and development aimed at enhancing diversification, improved techniques, value-added opportunities and export capabilities in the province's large agrifood sector. In the 2007/08 fiscal year, ARDI approved more than $2.8 million in research and development grants. Over 10 years, ARDI has approved $32.7 million for support of agriculture and agrifood research in the province.

The Province supports a number of research facilities in Manitoba that focus on important economic sectors. These include:

- the Food Development Centre, which undertakes R&D and related services to bring new Manitoba food products to market, including supporting clients in product development, food processing and packaging, and shelf-life testing;
- Prairie Agricultural Machinery Institute Manitoba which designs, tests and helps develop agricultural machinery for equipment manufacturers, farm producers, commodity organizations and governments;
- the Industrial Technology Centre, located at the University of Manitoba's SMARTpark, which facilitates technological improvements and innovation by providing advanced technical research and testing for a variety of manufacturers, inventors and other clients in a diverse range of products including aerospace, transportation, health, architecture and energy; and

- TRLabs, Canada's largest information and communications technology consortium, which operates a research laboratory at SMARTpark adjacent to the University of Manitoba specializing in data networking and health, as well as programs of research in technology for the home and wireless networking.

Manitoba Hydro supports research programs to assist in providing higher system reliability, lower electricity rates, increased safety of the system infrastructure, environmental protection and improved customer quality of service. Some of this research is undertaken in-house while other company-sponsored research is undertaken at universities or by other external researchers. Manitoba Hydro devotes about $5 million annually to these important research projects.

Manitoba Hydro operates the HVDC Research Centre. The Centre, established in 1981, conducts innovative research and development in HVDC and power electronic technologies, instrumentation, and simulation. The Centre became a wholly owned subsidiary in 2000 and, with a staff of 25, has become a world leader in the technology of electric power system simulation, applied power systems analysis and related technologies.

The Higher Education Sector

Universities and other post-secondary institutions play a critical role in Canadian R&D activities. These institutions provide the knowledge and the skilled labour force necessary for innovation and serve as incubators for new ideas in basic and applied research.

In Canada, higher education institutions account for about one-third of the R&D work performed. In Manitoba, the role of higher education is even more important as these post-secondary institutions (including related institutes, clinics and research stations) account for more than half of the province's R&D activity.

Statistics Canada estimates that R&D expenditure by Manitoba's higher education sector in 2006/07 (the latest year for which data is available) was a record-high $287.2 million. Between 1999/2000 and 2006/07, R&D expenditure in the higher education sector in Manitoba increased by over 80%.

Natural sciences and engineering accounted for approximately 42% of 2006/07 R&D spending in higher education, health sciences for 36%, while social sciences accounted for 22%.

The University of Manitoba, the largest of Manitoba's post-secondary education institutions, is one of Canada's major research universities. The University has a reputation for outstanding research which has earned it national and international recognition. Much of the research conducted at the University involves collaboration and partnership with other higher education and research institutions, businesses, community organizations and governments. The University is home to more than 30 research centres and affiliated institutes covering a vast range of disciplines. It is also part of the National Centres of Excellence program which supports advanced research and collaboration. It is the administrative home of ISIS Canada, (Intelligent Sensing for Innovative Structures), a national research network designed to develop new advanced building materials and techniques for the construction, maintenance and repair of structures.

The University of Manitoba is currently home to 48 Canada Research Chairs, which are held by some of Canada's top scientists and scholars. The research programs of these chairs focus on such important fields as pharmaceutical sciences, neurosciences, endocrinology, environmental sustainability, material sciences and civil infrastructure. The University's life sciences research activities are further strengthened through active partnerships with several local health organizations, including CancerCare Manitoba, the Health Sciences Centre, St. Boniface General Hospital, the Manitoba Institute of Child Health, the Canadian Science Centre for Human and Animal Health, and the National Research Council's Institute of Biodiagnostics.

The University's excellence in research continues to promote higher levels of research funding. In 2007/08, external sponsored research income for the University and its affiliated health research institutions totalled $162 million. Research income from granting councils was $53 million.

SMARTpark is a research park adjacent to the University of Manitoba. Established in 1999, SMARTpark brings together industry and the University of Manitoba to promote R&D and the development of knowledge-based industry. One of the key features of the park is its proximity and access to the extensive resources of the University. Currently, SMARTpark is home to about 20 companies with over 1,000 employees.

Manitoba Research and Development (R&D) Tax Credit

Manitoba's R&D tax credit provides support to firms conducting R&D activity in the province. Eligibility for the Manitoba credit is tied to the eligibility for the federal investment tax credit on qualifying R&D expenses and supplements the federal credit. Budget 2009 further enhances the tax credit.

The federal and provincial R&D credits are activity-based, and apply to all sectors and industries. Both current expenditures, which include researchers' salaries and the cost of materials and prescribed capital expenditures including machinery and equipment, are eligible expenses for purposes of Manitoba R&D tax credit amounts.

From its introduction in 1992 through to the 2007 taxation year (latest year for which taxation data is available), firms conducting R&D in Manitoba claimed $156.8 million in provincial R&D tax credits.

Further details in respect of the Manitoba's R&D Tax Credit program are available at http://www.cra-arc.gc.ca/txcrdt/sred-rsde/menu-eng.html.

Over the years, studies by various agencies have repeatedly confirmed that Canada's income tax treatment of research is among the most generous in the world, especially when coupled with provincial incentives. The following table shows the after-tax cost associated with R&D current expenses for a large corporation and a small privately owned corporation, based on 2009 income tax rates.

After-Tax Cost of $100 R&D Expenditure, 2009

	Large Corporation*	Small Private Corporation
Eligible R&D expenditure	$100.00	$100.00
(less) Manitoba tax credit	20.00	20.00
(less) Federal tax credit	16.00	28.00
Deductible Amount	64.00	52.00
Tax Savings:		
Manitoba	7.68	0.52
Federal	12.16	5.72
Net after-tax cost	**$44.16**	**$45.76**

*Uses Manitoba general corporation income tax rate of 12%, effective July 1, 2009.

Budget Paper B

SUPPLEMENTARY FINANCIAL INFORMATION

Manitoba

SUPPLEMENTARY FINANCIAL INFORMATION

Contents

SPECIAL ACCOUNTS

Fiscal Stabilization Account

The presentation of the Fiscal Stabilization Account (FSA) balance was modified in 2004/05 to reflect the deposit into the Account of $210 million in pre-funding of health programming. The FSA now reports on health programs and general programs component revenues, expenditures and balances.

The FSA is projected to have a total balance of $742 million as at March 31, 2009, after a draw of $47 million for wait-time reduction programming and other health-related programming, with a draw of $49 million for general requirements, including $13 million related to ecoTrust. The health programs component balance will be $104 million, while the general programs component will end 2008/09 with a $638 million balance.

The budgeted draw in 2009/10 is $47 million for wait-time reduction programming and other health-related programming and $61 million for general requirements, including $13 million related to ecoTrust. The health programs component balance as at March 31, 2010 is budgeted at $57 million. The general programs component will end 2009/10 with a $577 million balance.

To support the accelerated level of infrastructure investment, in 2009/10 instead of providing interest earnings to the fiscal stabilization account, the funds will be used to offset increases in amortization required to support capital expenditures within departments.

Fiscal Stabilization Account
Revenue, Expenditure and Balance

Projection as at March 31, 2010 and March 31, 2009

Millions of Dollars

	2009/10 Budget	2008/09 Forecast
Total Account Balance, Beginning of Year	742	818
Health Programs		
Balance, Beginning of Year	104	148
Interest Earnings	-	3
Core Government Transfers		
Wait-time Reduction Programming and Other Health-related Programming	(47)	(47)
Balance, End of Year	57	104
General Programs		
Balance, Beginning of Year	638	670
Interest Earnings	-	17
Core Government Transfers		
General	(48)	(36)
ecoTrust	(13)	(13)
Balance, End of Year	577	638
Total Account Balance, End of Year	634	742

Debt Retirement Account

In 2009/10, a deposit of $20 million will be made for debt retirement.

As required by legislation, the Account was collapsed in 2004/05, leaving a nil balance at the beginning of 2005/06. In 2008/09, the Allocation Committee determined that $55 million of the deposit will be transferred to the Pension Assets Fund, leaving a balance of $136 million at March 31, 2009.

Interest earnings for 2009/10 are expected to be approximately $1 million.

In 2009/10 it is anticipated that there will be a $10 million allocation to the pension liability.

Debt Retirement Account

Revenue, Expenditure and Balance

Projection as at March 31, 2010 and March 31, 2009

Millions of Dollars

	2009/10 Budget	2008/09 Forecast
Account Balance, Beginning of Year	136	78
Revenue		
Core Government Transfer	20	110
Interest	1	3
	21	113
Expenditure		
Transfer to Pension Assets Fund	(10)	(55)
Account Balance, End of Year	147	136

Pension Assets Fund

It is anticipated that there will be a $10 million allocation to the Pension Assets Fund for 2009/10 from the Debt Retirement Account. The balance will also increase for 2009/10 as a result of the Government's plan to set aside an additional $330 million in funding in order to continue addressing the Province's unfunded liability for the Civil Service Superannuation Fund (CSSF).

During the year, the Government continued on its commitment to fund the Province's unfunded pension liabilities. As part of this commitment, the Province changed the trust conditions of the funds held in the Pension Asset Fund to clarify that these funds are irrevocably restricted for pension purposes only. As a result of this restriction, these funds are classified as pension assets and will be accounted for and reported in keeping with Generally Accepted Accounting Principles (GAAP) for senior governments. Net investment earnings include the expected rate of return during the year as well as adjustments to market related value. Under GAAP, market fluctuations of pension assets are not recorded in the year in which they occur but are recognized over the employee average remaining service life (EARSL).

The Fund is expected to have a balance of $2,889 million by the end of the 2009/10 fiscal year.

Pension Assets Fund

Projection as at March 31, 2010 and March 31, 2009
Millions of Dollars

	2009/10 Budget	2008/09 Forecast
Balance, Beginning of Year	2,599	2,242
Contributions and Revenue		
New Investment	330	350
Debt Retirement Account	10	55
Net Investment Earnings	58	48
Departments and Crown Corporations	136	130
	534	583
Transfers		
TRAF and CSSF payments	(244)	(226)
Balance, End of Year	2,889	2,599

SUMMARY OF ACCOUNT/FUND ACTIVITY

	2009/10 Budget	2008/09 Forecast	2007/08 Actual	2006/07 Actual	2005/06 Actual	2004/05 Actual	2003/04 Actual	2002/0 Actua
				(Millions of Dollars)				
Fiscal Stabilization Account								
Transfers to Account	2	2	128	110	31	405	13	4
Transfers from Account	(110)	(98)	0	0	0	0	(171)	(22
Redemption of Repap Preferred Shares								
Transfer re: Manitoba Telephone System								
Investment Revenue	0	20	27	21	15	2	1	7
Balance, End of Year	634	742	818	663	532	486	79	236
Debt Retirement Account								
Contribution	20	110	110	110	110	99	96	96
Interest Earnings	1	3	2	1	0	2	7	3
Transfers to Pension Assets Fund	(10)	(55)	(85)	(85)	(85)	(79)	(75)	(48)
Transfer for General Purpose Debt Reduction						(202)		
Balance, End of Year	147	136	78	51	25	0	180	152
Pension Assets Fund								
Transfers from Debt Retirement Account	10	55	85	85	85	79	75	48
Net Investment Earnings	58	48	16	67	61	31	38	(6)
Net Current Service Contributions	(108)	(96)	(60)	10	8	6	3	2
TRAF/CSSF Funding	330	350	1,502					
Balance, End of Year	2,889	2,599	2,242	699	537	383	267	151

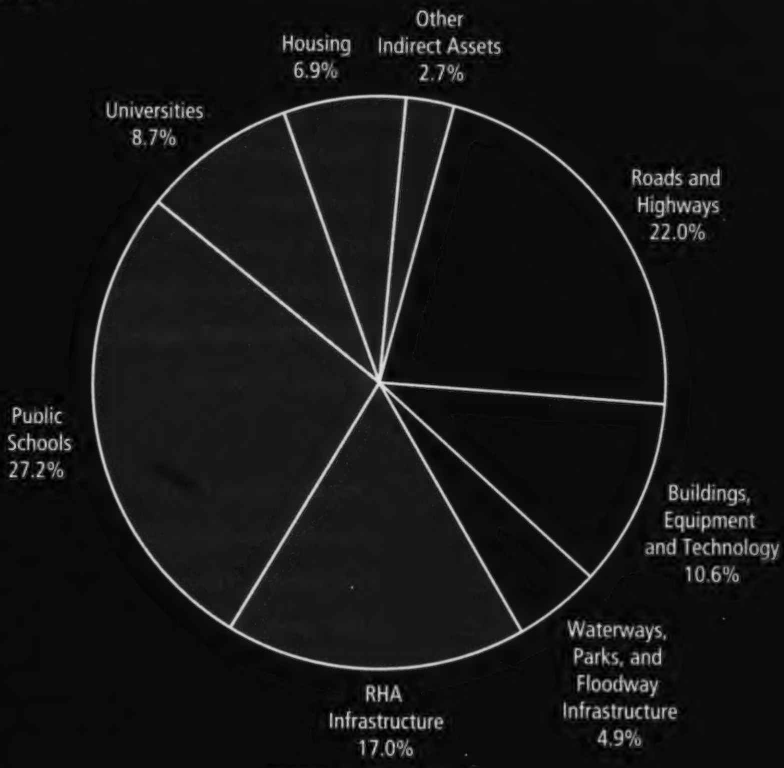
	2001/02 Actual	2000/01 Actual	1999/00 Actual	1998/99 Actual	1997/98 Actual	1996/97 Actual	1995/96 Actual
			(Millions of Dollars)				
Fiscal Stabilization Account							
Transfers to Account	63	40	11	31	76	91	157
Transfers from Account	(150)	0	(185)	(186)	(100)	0	0
Redemption of Repap Preferred Shares							20
Transfer re: Manitoba Telephone System						265	
Investment Revenue	14	15	12	17	11	11	3
Balance, End of Year	247	320	265	427	565	577	210
Debt Retirement Account							
Contribution	96	96	75	150	75	0	0
Interest Earnings	5	0	0	4	1		
Transfers to Pension Assets Fund	(75)	(21)	0	0	0		
Transfer for General Purpose Debt Reduction			(305)				
Balance, End of Year	101	75	0	230	76		
Pension Assets Fund							
Transfers from Debt Retirement Account	75	21					
Net Investment Earnings	2	0					
Net Current Service Contributions	9	0					
TRAF/CSSF Funding							
Balance, End of Year	107	21					

CAPITAL INVESTMENT – REPLACEMENT VALUE OF PUBLIC ASSETS

Over the years, Manitoba's communities and the economy have benefited from many investments in general assets such as schools, health facilities and public service buildings as well as infrastructure assets such as roads, water control structures and parks. To meet the needs of today's and future generations it is necessary to invest in renewal of the current assets. These assets have contributed to vital public services, including learning, health, physical access and electronic access to other government programs, as well as providing the infrastructure for economic and community development. The public good provided by these investments is immeasurable. However, it is estimated that the insured or replacement value of these investments exceeds **$36 billion**, an increase of $5 billion from 2008/09.

Replacement Value of Public Assets[1]

Per cent of Total



Total Value: **$36.0 billion**

Note 1: excludes municipal assets and assets of government business enterprises such as Manitoba Hydro

Indirect Assets: 62.5%   Direct Assets: 37.5%

Totals may not add due to rounding.

CAPITAL INVESTMENT – CORE GOVERNMENT

Provincially owned capital assets such as highways, waterways, buildings, machinery and computer systems are amortized over their useful life based on established guidelines for amortization (see Appendix B of the 2009/10 Estimates of Expenditure). The amortization and interest costs are borne by departments that are responsible for each asset and are reflected as annual costs related to capital assets. In total, costs related to capital assets are estimated at $252 million in 2009/10, an increase of $18 million from 2008/09. In 2009/10, departmental appropriations include $135 million for amortization and $137 million for allocation of interest.

Authority for the annual cost to acquire provincially owned assets is reflected as Part B – Capital Investment which totals $754 million in 2009/10, an increase of $168 million from 2008/09, largely due to $110 million for increased investment in provincial roads and highways infrastructure, $50 million for increased investment in provincially owned buildings, equipment and information technology, and $7 million for parks and camping infrastructure.

Capital Investment, 2009/10
(Thousands of Dollars)

	2009/10 Budget	2008/09 Budget*
General Assets		
Government Services Capital Projects	125,000	88,000
Transportation Equipment and Aircraft	32,037	23,719
Information Technology Projects		
Corporate Information Technology Projects	17,978	13,969
Advanced Education and Literacy	600	600
Competitiveness, Training and Trade	789	1,030
Family Services and Housing	855	900
Health and Healthy Living	3,241	1,500
Justice	1,205	1,364
Other Projects	262	442
Other Equipment and Buildings	4,847	4,553
	186,814	136,077
Infrastructure Assets		
Provincial Roads, Highways and Airport Infrastructure	366,725	256,708
Manitoba Floodway Expansion	172,846	172,009
Water Control Infrastructure	10,600	11,400
Parks, Cottage and Camping Projects	16,757	9,711
	566,928	449,828
Total Capital Investment	753,742	585,905

*The 2008/09 Budget has been restated to be consistent with the 2009/10 Budget presentation.

LOAN REQUIREMENTS

The Loan Act provides borrowing and expenditure authority for the Government and its agencies to undertake self-sustaining programs, where self-sustaining means having the ability for repayment.

Incremental Loan Authority Requirements for Non-Budgetary Programs, 2009/10

(Thousands of Dollars)

The Loan Act, 2009	
The Manitoba Hydro-Electric Board	$535,000
Manitoba Opportunities Fund	137,329
Manitoba Housing and Renewal Corporation	131,333
Business Support (including Manitoba Industrial Opportunities Program)	123,283
Post-Secondary Institutions	116,829
The Manitoba Lotteries Corporation	104,300
Manitoba Agricultural Services Corporation	60,332
Health Capital Program	30,186
Special Operating Agencies Financing Authority - Vehicles and Equipment Management Agency	23,000
Manitoba Student Aid Program	13,926
Communities Economic Development Fund	9,225
Rural Entrepreneur Assistance Program	8,656
Northern Affairs Communities	8,200
The Manitoba Water Services Board	5,740
Diagnostic Services Manitoba	4,268
Special Operating Agencies Financing Authority - Vital Statistics	1,272
Manitoba Film Guarantee Program	1,000
Leaf Rapids Town Properties Inc.	1,000
Special Operating Agencies Financing Authority - Companies Office	800
Special Operating Agencies Financing Authority - Pineland Nursery	300
	$1,315,979

Non-Budgetary Programs, 2009/10

(Thousands of Dollars)

The Manitoba Hydro-Electric Board	$1,248,000
Health Capital Program	170,904
Manitoba Housing and Renewal Corporation	169,744
Business Support (including Manitoba Industrial Opportunities Program)	144,820
Post-Secondary Institutions	136,300
Manitoba Opportunities Fund	118,000
Manitoba Agricultural Services Corporation	106,000
The Manitoba Lotteries Corporation	83,300
The Manitoba Water Services Board	36,691
Special Operating Agencies Financing Authority - Vehicles and Equipment Management Agency	33,552
Manitoba Student Aid Program	31,062
Diagnostic Services Manitoba	12,683
Communities Economic Development Fund	8,800
Northern Affairs Communities	8,200
Rural Entrepreneur Assistance Program	5,800
Miscellaneous Corporations, Agencies and Other Programs	18,129
	$2,331,985

BORROWING REQUIREMENTS

Manitoba's borrowing requirements in respect of both general and self-sustaining borrowings is estimated to total $3.3 billion in 2009/10, of which $1.5 billion is required for refinancing purposes. New cash requirements of $1.8 billion are required for capital investments including the Manitoba Floodway Expansion, Manitoba Hydro and for the funding of the unfunded pension liability for the Civil Service Superannuation Plan. *The Loan Act, 2009*, provides incremental authority of $1.3 billion.

Borrowing Requirements 2009/10

(Thousands of Dollars)

	Refinancing	New Cash Requirements	Estimated Repayments	Borrowing Requirements
Government Business Enterprises				
Manitoba Hydro	804,295	800,000	-	1,604,295
Manitoba Lotteries	9,144	50,000		59,144
Subtotal	813,439	850,000	-	1,663,439
Other Borrowings				
General Purpose Borrowings	453,951	-	-	453,951
Capital Investment General Assets	74,070	-	-	74,070
Capital Investment Infrastructure Assets	-	450,000	-	450,000
Civil Service Superannuation Plan	-	330,000	-	330,000
Health Facilities	150,000	100,000	68,136	181,864
Other Crowns and Organizations	50,000	50,000	-	100,000
Subtotal	728,021	930,000	68,136	1,589,885
Total Borrowing Requirements	1,541,460	1,780,000	68,136	3,253,324

SUMMARY NET DEBT

Change in Summary Net Debt
(Millions of Dollars)

2008/09 Summary Net Debt (forecast)	11,100
Net Investment in Tangible Capital Assets	
Core Government	593
Other Reporting Entities	164
	757
Less: Net income for the year	
Core Government	(2)
Other Reporting Entities	(46)
	(48)
Change in Net Debt	709
2009/10 Summary Net Debt (Budget)	11,809

Net debt is an important indicator of a government's financial position as this highlights the affordability of future government service. Summary net debt represents the difference between the Government Reporting Entities' (GRE's) total liabilities, such as borrowing and financing, less its financial assets* – it reflects the residual liability that must be financed by future revenues. Net debt may grow in absolute terms from time to time, as needed investments in capital assets – like the Red River Floodway, highway infrastructure and economic stimulus investments – are made. These investments underpin and support Manitoba's economic performance. It is important to measure changes in net debt against the growth of the economy, as measured by the nominal GDP.

Net financial assets and summary net debt as a percentage of GDP include the projected impact of changes in Other Comprehensive Income (OCI). OCI is unrealized gains and losses due to the change in fair market value of financial instruments held by certain entities or on changes in the exchange rate of debt in a foreign currency.

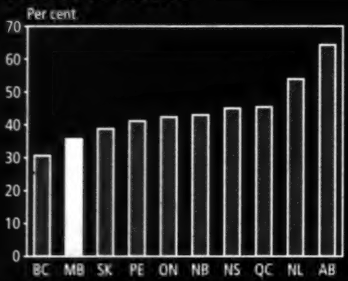
Changes in OCI are based upon "mark-to-market" variances at year end and therefore, are a one-day snapshot of a change in value when compared to the same day in the previous year. While changes in OCI can have a significant impact on the net debt to GDP ratio, there is no impact on net income because OCI is an unrealized gain or loss and only reflects a change to the book value at the end of the year.

* Financial assets are liquid assets such as cash, investments, loans and accounts receivable that could be readily converted to cash.

Fiscal Year	Net Debt	GDP	Net Debt as a % of GDP
2003/04 Actual	11,052	37,314	29.6%
2004/05 Actual	10,723	39,499	27.1%
2005/06 Actual	10,585	41,402	25.6%
2006/07 Actual	10,465	44,728	23.4%
2007/08 Actual	10,188	48,225	21.1%
2008/09 Budget	10,922	50,367	21.7%
2008/09 Forecast	11,100	51,275	21.6%
2009/10 Budget	11,809	51,429	23.0%

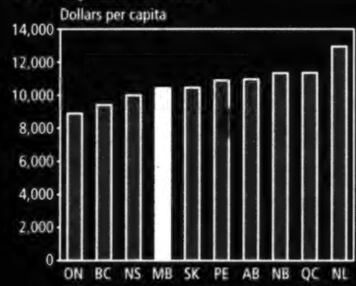
INTERPROVINCIAL COMPARISONS

Total Provincial Expenditure Per Capita Increase from 1999/00 to 2007/08



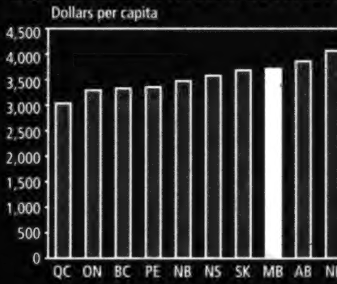
Source: Statistics Canada

Total Provincial Expenditure Per Capita, 2007/08



Source: Statistics Canada

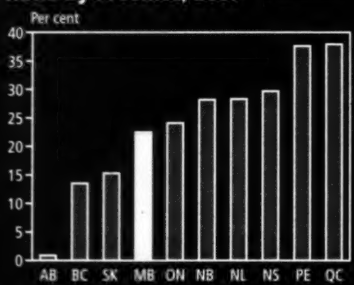
Provincial Government Expenditure on Health, 2008/09f



f - Forecast

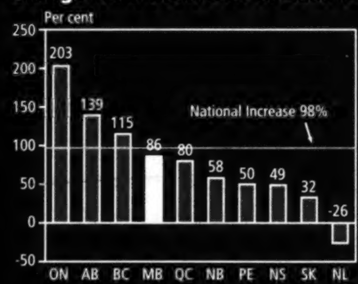
Source: Canadian Institute for Health Informatio

Net Tax Supported Debt to GDP Ratio by Province, 2007



Source: Standard and Poor's

Major Federal Cash Transfers Change from 1999/2000 to 2009/10



Note: This presentation includes Offshore Accord payments to NL and NS.

Source: Finance Canada

APPENDIX A
WHAT IS MODERNIZING GOVERNMENT?

Modernizing government means constantly improving the way government operates to ensure the provision of the best possible services to all Manitobans. It is about identifying what works and moving ahead with those efforts, while improving on activities and services that can be better achieved in a more effective, efficient, innovative and affordable manner.

A Made-In-Manitoba Approach to Modernizing Government

Modernization is not a one-time, one-department, or one-person job – it needs an overarching approach and the capacity to make adjustments with the total system in mind. Our efforts to continuously improve are focused on three fundamental areas:

1. improving service delivery for citizens and businesses;
2. strengthening the control and management of public resources; and
3. strengthening the capacity of our civil service.

Improving Service Delivery for Citizens and Businesses

Continuous Citizen-focused Service Improvements

The Government has made a commitment to continuously improve the way it operates and delivers services to citizens. Ensuring the best possible services means leveraging technology and partnerships for simple, effective and innovative services. Following are some of our recent efforts to modernize services for citizens.

- '**Just click and you're there**' promotes manitoba.ca exclusively as a single point of entry to a wide range of Government programs and services. Key services currently available on-line include the child-care finder, career planning, on-line wait-times, highway conditions reports, student aid and campground reservations, with many more to come. In 2008, manitoba.ca had over 10 million visits.
- **Child Care On-line** enables families to search on-line, 24 hours a day, for licensed child care in their neighbourhood and submit subsidy applications on-line. It also allows child-care providers to display information about their facility, the programs offered and current vacancies. In 2008, 933 licensed child-care facilities were listed on-line, representing 73% of all licensed child-care facilities in Manitoba. The on-line service is being updated to include a centralized child-care wait-list to show the availability of early learning and child care in the community.
- The award-winning **Parks Reservation Service** allows citizens to book daily campsites, yurts, and cabins on-line 24 hours a day. It features an interactive website with services listings, pages that graphically show all the campsites in every park, and secure on-line credit card payment. There are over 60,000 reservations made each year through the service.
- Manitoba's on-line **career development portal** has been designed to aid Manitobans in obtaining the knowledge, abilities and confidence to set and achieve career goals while developing essential employability skills. The portal links users to existing career development information and applications, including those of other jurisdictions, and supports Manitobans in the development of essential skills for employability.

- Manitoba's **statutory publications e-commerce website** will enable on-line ordering of Manitoba's Acts and Regulations reports of major public commissions and inquiries, legal forms and other publications related to Government programs and services.
- **My Student Aid Online (MySAO)** is a 24 hour web service that interacts with students filling out student aid applications With 90% of student loan applications now being completed on-line, the service has reduced student loan processing times from seven to approximately four weeks, resulting in greater efficiencies and more timely processing for applicants. Internet banking has also been introduced as an option for repayment of student loans.
- The Government has leveraged information technology to make health care more accessible and affordable for all Manitobans In 2008, **Manitoba Health Links-Info Santé** offered over 160,000 Manitobans quick, free health information and advice 24 hours a day, seven days a week from registered nurses. The **Family Doctor Connection Program** responded to over 19,000 enquiries, providing citizens with the contact information of Manitoba family doctors accepting new patients in their area. **MBTelehealth** links medical expertise to local health care professionals in 50 communities across Manitoba, meaning more patients can stay in their communities for medical treatment.
- Driver and Vehicle Licensing and the Manitoba Public Insurance Corporation (MPI) have merged to offer a **'single window' service for all vehicle licensing, registration and insurance**. The merger laid the groundwork for further service improvements, such as customers receiving licence and insurance renewal information in one envelope, doubling the number of outlets available for licensing service throughout the province, and allowing customers to renew their driver's licence through any Autopac agent.
- The **Winnipeg Auto-theft Suppression Strategy** is an innovative partnership between Manitoba Justice, MPI and the Winnipeg Police Service. This involves intensive monitoring and supervision of high-risk offenders. This strategy combined with other separate efforts such as Manitoba's comprehensive car immobilizer installation program and tactical police enforcement by the City of Winnipeg have helped to decrease auto-theft rates by well over 50% since 2006. Savings to date have topped $58 million and Manitobans are seeing the benefit in lower Autopac rates which have decreased by 3.6% over the last two insurance years.
- **Bilingual Service Centres** have enhanced the delivery of French and English language services in St. Boniface, St. Pierre Jolys, Notre Dame de Lourdes and St. Laurent by providing access to federal, provincial and municipal services as well as community-based organizations in one location and in either official language. Services include business counselling employment and economic development resource services, and in some cases residents can pay for municipal bills.
- Specialized agricultural and community support services are offered to Manitobans through expanded offices now called **Growing Opportunities Centres (GO Centres)**. GO Centres provide producers and rural communities with 'single window' locations for services such as farm production, rural economic development, business development, leadership capacity building and production insurance. To date, 40 GO Centres have been established across Manitoba with 300 business development projects under way.
- The Government has partnered with the Winnipeg Regional Health Authority to establish **Community ACCESS Centres** which co-locate primary care services with health and social services such as child care co-ordination, supports for persons with disabilities, children's special services, and community mental health. Sites were opened in River East in 2004 and Transcona in 2007, with a third downtown site scheduled to be opened later in 2009. Plans are under way for new ACCESS Centres in the Inkster and St. James communities.

Streamlining and Improving Business Interactions

Since 1999, the Government has streamlined its interactions with businesses and enhanced the ability to deliver new services to the private sector. Launched in 2006, the **Single Window for Business Initiative** is making the province's business services easier to find, easier to use and easier to understand whether accessed on-line, in person or by phone. Here are some of our recent efforts to modernize government interactions with businesses.

- Created in 2006, **Manitoba Competitiveness, Training and Trade** (CTT) is dedicated to strengthening our Provincial economic strategy with a solid education and training strategy. CTT brings together industry and training to both grow Manitoba businesses, invest in skill development, and attract and retain skilled workers in Manitoba.
- **BizPal** is an award-winning on-line service that combines federal, provincial and municipal permitting and licensing information to help Manitoba businesses identify which permits and licences they require and how to obtain them. It has been introduced in Winnipeg, Brandon and 15 other municipalities in Manitoba, available to more than two-thirds of Manitobans and continuing to expand.
- The **Manitoba business portal** creates a more user-friendly web-based portal for provincial business information services, building upon the Biz Gateway and providing 'single-window' access to the province's on-line business services and information. In 2008, over 120,000 users accessed a wide range of business information and services, including On-line Gas Permitting, and the Personal Property Registry.
- The **Invest in Manitoba** website provides on-line, 'single-window' access to information for individuals and businesses seeking to invest or establish businesses in Manitoba. This site is focused on the international investment community and cuts across Government departments and agencies.
- Manitoba's overall competitive advantage has included **reductions in red tape and paper burden for small businesses.** Some reduction measures include the consolidation of administrative and compliance provisions under seven provincially administered taxation statutes to make it easier for businesses to understand what is required of them; reducing the frequency of filing sales tax remittances for small businesses, helping over 11,000 small business owners spend more time with customers and staff and not on paperwork; removing the sales tax registration and collection requirements for small home-based businesses; and increasing the threshold for Corporation Capital Tax quarterly installments, reducing paperwork and tax administration costs for an estimated 200 corporations that will be eligible to file annually instead of quarterly.
- The **Manitoba e-learning network** has been established and is working toward the goal of 38 video conference sites across the province in Canada/Manitoba Business Service Centre Access Sites and GO Centres. This network allows entrepreneurs to access as many as 200 seminars each year.
- **TAXcess** allows more than 40,000 businesses across Manitoba, Canada and the United States to apply for registration of their accounts, file returns and pay provincial taxes on-line, in both official languages. TAXcess allows 24/7 secure access to review account balances and amend returns previously filed.
- The **Provincial Nominee Program for Business** is implementing "lean thinking" into its modernization efforts in order to cut the time it takes to approve an application for potential business investors. Our efforts to streamline this process will make it easier for immigrants and their families to successfully settle and establish their businesses in Manitoba. Since the program's inception, there have been 237 initial business investments worth more than $115 million.
- A new **Job Referral Service System** will be available for job seekers, employers and other third parties in the summer of 2009 to address Manitoba Hydro and Manitoba Floodway Authority's requirements to deliver services and construction of

new projects. The on-line service will also allow job seekers and other agencies to register, and employers to enter their job opportunities.

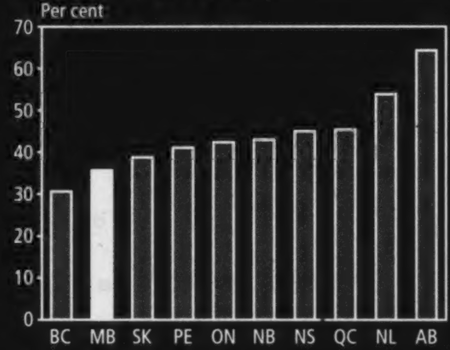
- Manitoba's **Industry Sector Councils** successfully bring together representatives from key stakeholder groups in industrial sectors across Manitoba to develop provincial work force policies. In 2008, the Government passed legislation to create the **Advisory Council on Work Force Development**, which will provide input into the development of Manitoba's Labour Market Development Strategy as well as advice on labour market policy and programs.
- Manitoba will appoint a new **Manitoba Innovation Council** to help develop innovative and commercialization strategies, while at the same time forming new and improved relationships between the business, research and investment communities.

Strengthening the Control and Management of Public Resources

Sound control, management and use of public resources are key to making government more effective, efficient, accountable and transparent. The Government has made sure that public spending remains under control and that every tax dollar invested into government delivers results in an effective and efficient way.

- According to Statistics Canada, since 1999/2000, Manitoba's total per capita expenditure growth has been the second lowest of all provincial governments. As well, Manitoba's rank in total per capita spending has fallen from fifth highest to fourth lowest among all provinces. The Government plans to maintain its advantage by continuing to test new ways to reform government processes in order to improve services without increasing costs.

Total Provincial Expenditure Per Capita Increase from 1999/00 to 2007/08



Source: Statistics Canada

- In tough economic times, it is particularly important for government to pursue efficiencies. Budget 2009 includes measures to optimize the use of public resources while managing overhead costs. Necessary corporate adjustments such as managing vacancies and reducing general operating costs are being implemented.
- Manitoba has a plan to retire general purpose debt and to eliminate the Government's pension liability. Over nine years the Government has committed $924 million to debt retirement and to reducing the Province's unfunded pension liability. In the 2002 Budget, the Government announced a plan to make current service employer pension contributions for new employees. In Budget 2008, current service employer contributions for all employees were extended.
- The Government has implemented reforms within existing Government organizations to better manage public resources, capitalizing on synergies, regional capabilities, expertise and talent. The appointment of a **Healthy Living Minister** focusses on creating conditions and supporting behaviours that promote the best possible health choices for everyone. **Manitoba Water Stewardship** now has sole responsibility for protecting and managing Manitoba's high-quality water resources. **Manitoba Science, Technology, Energy and Mines** was created to better align existing resources in support of the development of energy, research and innovation as key contributors to the provincial economy. Through a process known as "**clustering**," some internal administration, finance and information technology services have been reorganized to consolidate services in fewer administrative groups.

The 2008 ***Balanced Budget, Fiscal Management and Taxpayer Accountability Act*** continues our commitment to achieving positive fiscal results. It also furthers our commitment to summary budgeting and reporting, while remaining consistent with the accounting standards established by the Public Sector Accounting Board for applying generally accepted accounting principles (GAAP) for public sector entities. These accounting standards are used by the Office of the Auditor General in assessing the Province's financial statements' compliance with GAAP.

Introduced in 2007, the **Financial Management Strategy (FMS)** – a statement of the Government's priorities for sound financial management – further demonstrates the commitment to enhancing transparency and accountability. The FMS sets out what the Government intends to achieve over the next year and into the future. The results achieved are reported at the end of each year; the first report on outcomes was released in 2008. This gives the public a real opportunity to assess the success of the Government's performance.

In 2008, the **Comptrollership Change Management Initiative (CCMI)** was launched to continue implementation of modern comptrollership practices in the Government. The CCMI will enhance the ability of departments to generate information that is accurate, relevant, understandable, and timely about their financial situation, their results relative to costs incurred, and mitigation strategies relative to financial and operational risks.

Planning for outcomes and performance measurement enhances both transparency and accountability by providing information on the actual impacts, benefits or changes experienced as a result of a program or government service. Departmental **annual reports** include key performance measures to provide Manitobans with meaningful and useful information about government activities, and their impact on the province and its citizens. The **Budgeting for Outcomes Pilot Project** is testing a comprehensive way of budgeting that defines desired outcomes for particular projects dealing with greenhouse gas reduction, and decides on the funding to be made available to achieve these outcomes.

In 2001, Manitoba's ***Auditor General Act*** was reformed to establish an **Auditor General of Manitoba.** The previous Provincial Auditor's Act was passed in 1969 and since that time the practice of legislative auditing and the relationships of legislative auditors to governments have evolved. Changes to the legislation have improved accountability of the Office of the Auditor General to the Legislature; clarified the mandate and authority of the Office of the Auditor General; and strengthened the scope of confidentiality requirements in the conduct of audits.

In 2008, ***The Freedom of Information and Protection of Privacy Act*** was modernized to maintain open and transparent government and better protect the individual privacy of Manitobans. Changes include the creation of an adjudicator to resolve access and privacy issues and the mandating of the regular disclosure of ministerial expenses. Improvements were also made to ***The Personal Health Information Act*** to better access personal health information and enhance public education to ensure Manitobans are aware of their privacy rights.

Manitoba's **Green Building Policy** ensures that new Government-funded buildings are among the most environmentally and energy efficient in North America, helping to reduce energy expenditures and reliance on expensive, non-renewable fossil fuels. For example, by focussing on green retrofits and upgrades for operational savings, the NOR-MAN Regional Health Authority has saved $219,500 per year and reduced greenhouse gas emissions by an estimated 670 tonnes per year. It is projects like this that have made Manitoba number one in the country for energy efficiency two years running.

Strengthening the Public Service Capacity

Modernizing Manitoba's civil service is an ongoing process that faces two significant challenges in delivering on Manitoba's priorities for the future: the increasing competition for new workers; and providing new and better services without increasing the cost to Government. Modernizing efforts work to effectively deal with these challenges.

- The Government is committed to a **Civil Service Renewal Strategy** that aims to effectively manage human resources, advance an engaged and productive civil service, and maximize the competencies that employees bring to the workplace. Over 300 renewal actions have been implemented that focus on building leadership capacity, increasing diversity and modernizing human resources management. Examples include the Leadership Development Initiative, the corporate internship programs, and the development of new and improved human resources policies dealing with corporate learning, respectful workplaces, and ethics in the civil service.
- The **Provincial Civil Service Diversity Strategy** sets a new and comprehensive approach to bringing together in one integrated effort a number of measures to promote further equity and diversity. Building on the principles of merit, equity and fairness, the strategy has committed to increase the number of well-qualified persons in the following equity groups: persons with disabilities, Aboriginal peoples, women, and visible minorities.
- In 2008, **job classification functions** were consolidated to a single office in Government, improving both the timeliness and consistency of classification activities across all sectors of Government.
- In 2007, ***The Public Interest Disclosure (Whistleblower Protection) Act*** was passed to provide a clear process for disclosing concerns about significant and serious wrongdoing in the Manitoba public service while providing protection from reprisal. The Act, the broadest of its kind in Canada, helps ensure the public sector operates within an environment of integrity, accountability and trust.

Future Directions

The Government supports continuous internal review and reform in order to provide Manitobans with affordable, innovative and effective Government operations, programs and services. The Government will continue to emphasize reforms that improve accountability and transparency, two important goals of modern government.

Selected Government Websites

'Just Click and You're There':	http://www.manitoba.ca
Child Care Online:	http://www.gov.mb.ca/fs/childcare/index.html
Parks Reservation Service:	http://prsdpr.gov.mb.ca/
Career development portal:	http://web6.gov.mb.ca/cdi/index.html?/index.html
My Student Aid Online:	http://www.gov.mb.ca/educate/sfa/pages/sfaFrontDoor_en.html
Manitoba Public Insurance:	http://www.mpi.mb.ca/
Winnipeg Auto Theft Suppression Strategy:	http://www.mpi.mb.ca/english/autotheft/ATWATSS.html
Bilingual Service Centres:	http://www.csbsc.mb.ca/
BizPal:	http://www2.gov.mb.ca/bizen/wizard/welcome.aspx
Manitoba business portal:	http://www.manitoba.ca/business/
Invest in Manitoba:	http://www.investinmanitoba.ca
TAXcess:	https://taxcess.gov.mb.ca/
Manitoba Finance Publications:	http://www.manitoba.ca/finance/publications.html
Manitoba Civil Service Commission:	http://www.gov.mb.ca/csc/

Budget Paper C

RECENT DEVELOPMENTS IN FISCAL ARRANGEMENTS

Manitoba

RECENT DEVELOPMENTS IN FISCAL ARRANGEMENTS

Contents

RECENT DEVELOPMENTS IN FISCAL ARRANGEMENTS

Manitoba has long promoted the need for a sound and comprehensive approach to fiscal arrangements, including the need for a principles-based Equalization Program. The implementation of a new Equalization Program in 2007, based on the findings of the Expert Panel on Equalization and Territorial Formula Financing, was endorsed by Manitoba and viewed as significant progress toward improving Canadian fiscal arrangements overall.

The Importance of Equalization

The Equalization Program is a fundamental component of Canadian fiscal arrangements. The purpose of Equalization, as outlined in *The Constitution Act, 1982*, is to ensure that all Canadians in all provinces have access to reasonably comparable public services at reasonably comparable levels of taxation.

The Organization for Economic Co-operation and Development (OECD), in its 2007 report "Fiscal Equalisation in OECD Countries," described the reasons equalization programs are important. The report noted that equalization programs assist with equity, by ensuring a balance between revenue raising capacity and the cost of providing services across regions. The report also identified the importance of equalization programs in addressing "fiscal externalities" that may lead to labour and capital being inappropriately allocated across regions due to regional tax rates as opposed to demand. Finally, it identified the "insurance" effect equalization provides against income or employment shocks that may be experienced in a particular region. See Appendix 1 for a full description of the OECD's assessment of the importance of equalization programs generally.

Canada is a highly decentralized federation. The constitution has given provinces important spending responsibilities, such as the provision of social services and social assistance, health care, child care, justice and education, including post-secondary education and training. However, geographical size, populations, incomes and access to natural resources vary greatly among provinces and territories. This gives provincial governments differing capacities with which to raise revenue and a differing ability to provide necessary public services. At various times, for example, certain provinces have benefited from high natural resource prices that increased their capacity to provide public services without having to resort to higher taxation.

In the past, arrangements have been struck to ensure the fiscal capacity of a particular level of government was appropriate for the time. For example, "at a federal-provincial conference in 1941 the provinces temporarily relinquished

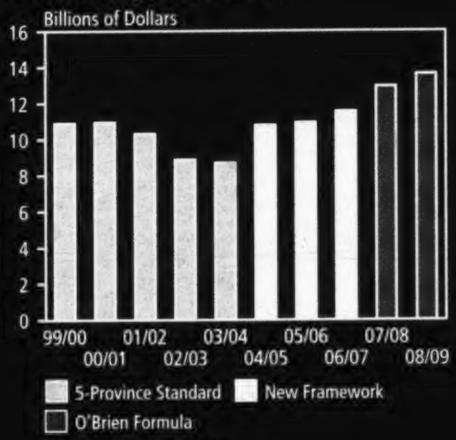
"Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation."

Section 36(2) *The Constitution Act, 1982*

"The government of Canada is committed to the principle of ensuring long-term funding support for shared priorities and a transparent, principle-based approach to its transfers to provinces and territories."

The Budget Plan, Restoring Fiscal Balance in Canada, 2006 (p. 63)

Total Equalization Program Payments under the Various Approaches



Source: Finance Canada

Expert Panel Members:

Al O'Brien (Chair)
Fellow, Institute of Public Economics, University of Alberta

Fred Gorbet
Principal, Strategy Solutions

Robert Lacroix
Founding member, Centre for Interuniversity Research and Analysis on Organization (CIRANO)

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Dean, School of Business, University of Alberta

their access to personal, corporate and inheritance taxes in recognition of the Government of Canada's need to occupy those tax fields to finance the war effort. In return, the provinces received grants from the federal government. This wartime experience moved the country into a system of federal-provincial interdependence – a system that has been central to Canadian federalism ever since."[1]

Manitoba believes that fiscal arrangements, including Equalization, are an important feature of our Canadian federation. Because of this importance, governments should be guided by clear principles and objectives in developing and altering federal/provincial/territorial fiscal arrangements.

Improving Fiscal Arrangements

In 2004, concerns about declining and unstable Equalization payments under the "five-province standard" formula at the time led the federal government to introduce the *New Framework for Equalization* (see chart). Under the New Framework, the Equalization payments to provinces would be increased by about $28 billion over ten years relative to 2004/05 budget levels.[2] Year-over-year growth in overall program payments was legislated and payments to provinces were fixed in advance for 2004/05 and 2005/06, thereby suspending the formula for measuring provincial revenue disparities. As well, the federal government announced that it would undertake an "expert review" of the program (as well as Territorial Formula Financing, the parallel program for the territories), particularly with respect to the allocation of Equalization among provinces and the treatment of various revenue sources, including natural resources.

In May 2006, the Expert Panel on Equalization and Territorial Formula Financing, chaired by Al O'Brien, former Deputy Minister of Finance in Alberta, delivered its report to the federal Minister of Finance. The O'Brien recommendations were ultimately accepted by the federal government and formed the basis of the renewed and strengthened Equalization program announced in federal Budget 2007. The strengthened program increased total payments to the provinces by $3.5 billion in 2007/08 and 2008/09 compared to 2006/07 levels, and followed the pattern of restoring adequacy that was initiated under the New Framework (see chart).

1 Reconciling the Irreconcilable: Addressing Canada's Fiscal Imbalance, The Council of the Federation, Advisory Panel on Fiscal Imbalance, 2006 (p.22-23)

Note: While provinces ceded tax powers to the federal government to help finance Canada's efforts during World War II, the federal government partially restored those powers to provinces in 1977 with the introduction of the Established Programs Financing (EPF) transfer program.

2 Finance Canada

e Expert Panel's Consultations and Manitoba's Contribution

developing its report, the Expert Panel commissioned reports and analysis, l consulted extensively with provinces, academics and subject matter experts, ernment officials, business representatives and Canadians. Consultations re conducted over a one-year period through a website, meetings and round les. The Panel also reviewed a wide range of opinions and ideas on the ject, and conducted its own thorough technical analysis of the issues.

nitoba's formal presentation to the Panel emphasized that "the ualization Program should be based on a set of sound and comprehensive nciples to ensure the Program meets its Constitutional objective." It ther suggested that a principled approach to Equalization should include following key principles: adequacy, comprehensiveness, responsiveness, uity, stability and predictability.

anitoba noted that to achieve adherence to the principles underlying ualization as reflected in Section 36(2) of *The Constitution Act, 1982* uld require: a 10-province standard; representative tax system (RTS); full enue coverage; and that the Program grow in line with (or be responsive changes in provincial fiscal disparities, rather than being constrained to a ed pot with a fixed escalator. Manitoba felt those components would lead a reasonable program such that, as a province's relative economic position proves, its Equalization payments would decline and vice versa.

addition to specific suggestions related to Equalization, Manitoba also ked that the panel give thought to all "three tiers" of fiscal transfers. In is context Tier 1 is Equalization, Tier 2 is the Canada Health Transfer HT) and the Canada Social Transfer (CST), and Tier 3 is other transfers. e presentation emphasized the need to consider all the three tiers when nsidering any fiscal arrangements.

e third tier in this model addresses the unique issues facing individual ovinces or geographical regions, in a way that respects jurisdictional thority and the major transfer programs, while allowing for the hievement of the principles outlined in Section 36(1) of the Canadian onstitution. This section of the Constitution is important for several asons, particularly: respect for jurisdictional authority; the use of onomic development as a method for addressing disparities; and the need r collective action to provide all Canadians with quality public services.

hrough the consultation and discussion process, the Expert Panel identified ree key issues that were important to its work. These were:

"Most want to see the Equalization Program improved, not abandoned."

"Equalization should be put back on track through a principle-based, formula-driven approach."

Three-Tier System for future Transfer Arrangements

Tier 1 – A strong Equalization Program (10-province standard, comprehensive revenue coverage, no fixed pot)

Tier 2 – Consideration of equal per capita cash CHT and adequate equal per capita cash funding for the CST

Tier 3 – Transfers delivered on the basis of expenditure need, outside of the Equalization Program, but consistent with the Constitution

"Without altering the legislative authority of Parliament or of the provincial legislatures, or the rights of any of them with respect to the exercise of their legislative authority, Parliament and the legislatures, together with the government of Canada and the provincial governments, are committed to
(a) promoting equal opportunities for the well-being of Canadians;
(b) furthering economic development to reduce disparity in opportunities; and
(c) providing essential public services of reasonable quality to all Canadians."

Section 36(1) *The Constitution Act, 1982*

THE PANEL'S RECOMMENDATIONS

Starting with principles

1. A clear set of principles should be adopted to guide future development of the Equalization program in Canada.

Returning to a rules-based, formula-driven approach

2. A renewed Equalization formula should be developed and used to determine both the size of the Equalization pool and the allocation to individual provinces.
3. A 10-province standard should be adopted.
4. Equalization should continue to focus on fiscal capacity rather than assessing expenditure needs in individual provinces.
5. Equalization should be the primary vehicle for equalizing fiscal capacity among provinces.

Improving the Equalization formula

6. The Representative Tax System (RTS) approach for assessing fiscal capacity of provinces should be retained.
7. Steps should be taken to simplify the Representative Tax System (RTS).
8. A new measure for residential property taxes should be implemented based on market value assessment for residential property.
9. User fees should not be included in Equalization.

Striking a balance on the treatment of resource revenues

10. In principle, natural resource revenues should provide a net fiscal benefit to provinces that own them.
11. Fifty percent of provincial resource revenues should be included in determining the overall size of the Equalization pool.
12. Actual resource revenues should be used as the measure of fiscal capacity in the Equalization formula.
13. All resource revenues should be treated in the same way.
14. A cap should be implemented to ensure that, as a result of Equalization, no receiving province ends up with a fiscal capacity higher than that of the lowest non-receiving province.

Improving predictability and stability

15. The current approach for determining Equalization entitlements and payments should be replaced with a one estimate, one entitlement, one payment approach.
16. Three-year moving averages combined with the use of two-year lagged data should be used to smooth out the impact of year-over-year changes.

Assessing Equalization

17. The federal government should track and report publicly on measures of fiscal disparities across provinces.

Improving governance and transparency

18. A more rigorous process should be put in place to improve transparency, communications, and governance. This is preferable to setting up a permanent independent commission to oversee Equalization.

Source: Achieving a National Purpose: Putting Equalization Back on Track, Expert Panel on Equalization and Territorial Formula Financing, May 2006

3. "The treatment of resource revenues is the most complex and controversial aspect of Equalization."

On balance, the recommendations of the Expert Panel reflected many of the key arguments Manitoba made in respect of a renewed Equalization Program. Taken as a whole, the recommendations were thought to be balanced, principled, realistic and fair.

Putting the Expert Panel's Recommendations into Practice

In its 2007 Budget, the federal government renewed the Equalization Program based on the recommendations of the O'Brien Expert Panel. The changes made the program more fair, stable, predictable and adequate. Total progr m costs and provincial entitlements would again be determined using a formula-driven measure of fiscal capacity. Under the formula, a province receives Equalization if its fiscal capacity is below the average fiscal capacity of all provinces (the "10-province standard"); provinces above the standard do not receive Equalization. The changes to the Program were legislated through to 2013/14.

The O'Brien-based Program also applied a new approach to the treatment of natural resource revenues by excluding 50% of these revenues from the standard. This provided an incentive to resource-producing provinces to continue developing their resources, while recognizing that fully excluding these revenues would lead to increased fiscal disparities among provinces. A 50% exclusion rate also made the 10-province standard more affordable.

An important feature of the new Program was the introduction of a three-year weighted moving average measurement of fiscal capacity, lagged by two years, for determining Equalization payments. This approach was intended to smooth year-over-year variation in payments caused by changes in economic conditions, making the Program more stable and predictable over time.

As recommended by the O'Brien Expert Panel, there would no longer be a "fixed pot" of payments or a ceiling imposed on the Program; payments would either grow or decline as provincial fiscal capacities shifted over time. As well, fairness would be ensured through the use of a "fiscal capacity cap" to ensure Equalization payments did not raise a province's total fiscal capacity above that of any non-receiving province.

Manitoba supported the renewed Program announced by the federal government in its 2007 Budget as a easonable compromise between the divergent views and interests of provinces, particularly with respect to the treatment of natural resources.

"In June 2006, the Government [of Canada] received the final report of the Expert Panel on Equalization … which proposed a comprehensive, principles-based set of reforms to Canada's Equalization program. Based on a careful review of the report and extensive consultations with Canadians and provincial governments, the Government has concluded that the Expert Panel's recommendations strike a reasonable balance among the divergent views and interests of provinces. They form a solid foundation upon which to renew this program."

The Budget Plan 2007, Aspire (p. 113)

In its Report, the O'Brien Expert Panel noted that: "Smoothing mechanisms (where entitlements are based on the average of fiscal capacity over a number of years) delay the program's response to deteriorating or improving fiscal circumstances. However, they also provide greater predictability and stability because entitlements are adjusted gradually with changes in economic circumstances and new data. This allows for better fiscal planning by receiving provincial governments."

Expert Panel on Equalization and Territorial Formula Financing, May 2006 (p. 119)

"To respect the agreement on the 10-Year Plan to Strengthen Health Care, which was signed by all First Ministers, the move to an equal per capita cash allocation for the CHT will be legislated to take effect in 2014-15, when the current legislation expires. As with the CST, the Government will ensure that no province or territory is unduly affected by the move to equal per capita CHT support. In the interim period, the CHT will continue to operate under existing legislation, taking into account the value of tax points."

The Budget Plan 2007, Aspire (p. 361)

Manitoba also supported the balance the federal government achieved in strengthening the Equalization Program while moving to an equal per capita cash transfer for the Canada Social Transfer (CST), an issue of concern to more populated provinces like Alberta and Ontario. To implement the change, the federal government increased the CST base by $687 million in 2007/08 to provide Ontario and Alberta with the same equal per capita cash support as the other provinces and territories, while ensuring no province or territory was unduly affected by the change.

With respect to the Canada Health Transfer (CHT), federal Budget 2007 announced the move to equal per capita cash would not occur until after the current legislation expired in 2013/14. As in the case of the CST, the federal government indicated provinces and territories would not be unduly affected by the move to equal per capita CHT cash.

■ UNEXPECTED CHANGES TO EQUALIZATION AND THE CANADA HEALTH TRANSFER

The new Equalization Program, as recommended by the O'Brien Expert Panel, was short lived. After only two years and without consulting provinces, the federal government made changes to limit the growth of the Program. These changes were announced on November 3, 2008 and will take effect in 2009/10. Manitoba is concerned that these changes are intended to permanently change the Expert Panel-based version of the program introduced in 2007.

The key change was to limit growth in total payments to the provinces or impose a "ceiling" on the Program, though the O'Brien Panel recommended against this approach. A "fixed-pot" compromises the responsiveness and fairness of the Program because the total amount of Equalization to be distributed to provinces is not based completely on changes in provinces' fiscal capacities (see Appendix 2 for a detailed explanation of the new program "ceiling" and "cap"). Furthermore, under this new approach, the basis for determining total costs of the Program and the basis for determining distribution of payments to provinces are mismatched.

For example, Manitoba enjoyed relatively stronger economic performance in the past several years than most provinces, and therefore Equalization entitlements, under the 2007 approach, would begin to decline in future years. This was consistent with the principle of responsiveness recommended by the O'Brien Panel. However, the new "fixed pot" approach uses lower current and future GDP growth to set the total Program entitlements. This adds another layer of restraint to Manitoba's entitlements that would not have occurred if the O'Brien approach had been maintained. The new "fixed pot"

approach re-introduces significant year-over-year declines in Equalization entitlements that the O'Brien Panel intended to address through the design of a smoothing (averaging) mechanism which is effectively nullified by the decision to impose a "ceiling" on the Program.

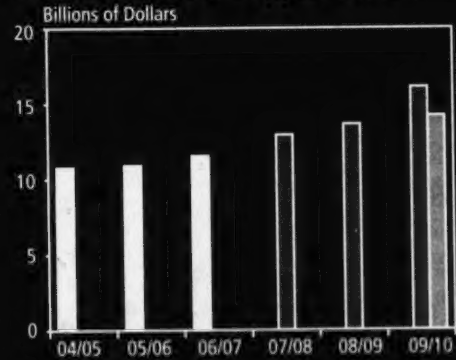
Furthermore, from an adequacy and fairness perspective, the larger revenue growth of the earlier period, particularly related to natural resources, means resource rich provinces have been able to increase services and/or decrease taxes. Now, however, total Equalization payments will not relate to that recent past, but more to the future at a time when GDP growth is slowing. By skipping ahead to a partially forward-looking growth factor, service and funding inequalities (i.e., horizontal imbalance between provinces) fostered by high resource revenues in recent years are less adequately addressed.

While the impact on Manitoba is tempered in 2009/10 through a protection payment, the impact on all provinces becomes more significant in future years since the "ceiling" is tied to current and future years' GDP growth rates. Not unexpectedly, these rates are slowing in response to the economic situation and will result in less funds being available to provinces at a time when they are most needed to address the economic downturn and to support the expectation that provinces cost-match infrastructure projects to stimulate the economy.

The timing of the potentially larger payouts under the 2007 approach, in respect of 2009/10, had there been no constraints would have been counter-cyclical, occurring as the country is experiencing an economic downturn. Under that unconstrained approach, potentially the largest increases in benefits would go to Ontario and Quebec, two provinces that are expected to be hardest hit. At the same time, the weak economic performance of a number of provinces in 2008/09 would have naturally restrained the 10-province standard and slowed overall program growth under the O'Brien approach, thereby ensuring sustainability of the Program.

In addition to the unanticipated changes to Equalization that will lower the amount of funds available to the provinces, Manitoba is also concerned that much needed funding for public services will be further restrained by the federal government's proposed changes to the CHT program. The federal government proposes to begin moving to an equal per capita cash CHT allocation in 2011/12 (in advance of the previously announced 2014/15 date) without new funding or transition provisions to protect provinces and territories affected by the change. This is in contrast to the process the federal government used in 2007/08 when the CST was moved to an equal per capita allocation. Because total annual CHT cash payments are fixed, the increase in payments to Ontario is expected to reduce support to other

Equalization Program Costs under the Various Approaches

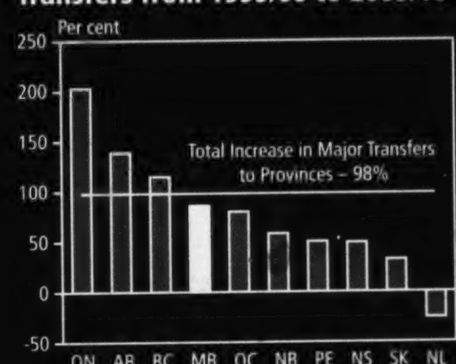


f - Forecast

New Framework · O'Brien Approach · November 2008 Approach

Sources: Finance Canada, Manitoba Finance Survey of Economic Forecasters

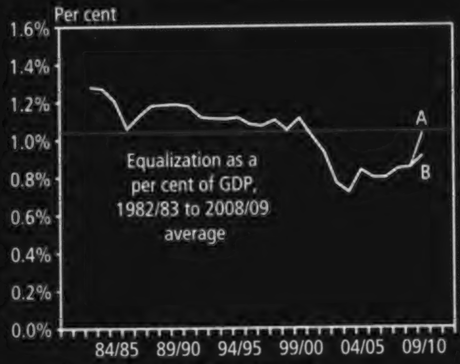
Change in Major Federal Cash Transfers from 1999/00 to 2009/10



Source: Finance Canada

Note: Includes Offshore Accord offsets to NL and NS as well as additional cash payments to ON and NS in 2009/10.

Equalization Payments and GDP: Annual Share and Long-Term Average

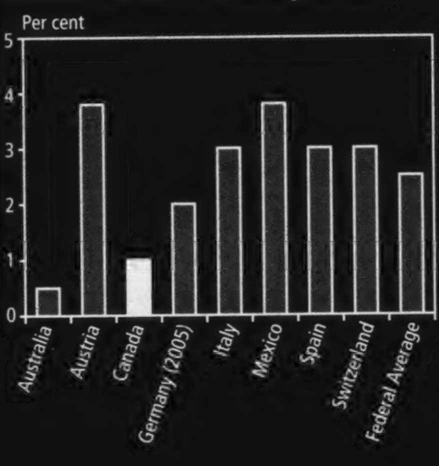


A = Level under O'Brien Approach

B = Level under November 2008 Approach

Sources: Finance Canada and Manitoba Finance

Total Fiscal Equalization as a Per Cent of GDP in Federal Countries, OECD Survey, 2004



provinces and territories by about $400 million in 2011/12. A further loss in support to provinces and territories will occur in 2014/15 when Alberta moves to equal per capita CHT cash allocation unless new funding and transition protection is provided.

Recent changes to transfer programs have broken the vital link that was created in federal Budget 2007 when the strengthened Equalization Program made it possible for the federal government to move to equal per capita cash support for the CST in order to provide comparable treatment for all Canadians.

CONCLUSIONS – GETTING BACK ON TRACK

Manitoba feels strongly that the federal government should return to the principles-based Equalization Program, recommended by the O'Brien Expert Panel. The November 2008 approach erodes many of the principles reinstated in the 2007 Expert Panel-based Program, particularly with respect to adequacy, stability and increased predictability of payments to provinces. Provinces as a whole are now less able to provide comparable services at comparable rates of taxation.

With respect to the appropriate level of Equalization, the O'Brien formula would have returned funding to a level closer to the Equalization Program's long-term share of national GDP (see chart). Furthermore, total fiscal Equalization (Equalization payments plus Territorial Formula Financing) in Canada is below average by international standards. According to an OECD study released in 2007, total fiscal equalization as a per cent of GDP in federal countries averaged 2.5% in 2004 compared to 1% in Canada (see chart).

The changes introduced in November 2008, although intended to bring greater stability and affordability to the Program, have come at a time of a significant economic slowdown. The federal government is reducing payments to provinces when additional fiscal stimulus on the part of governments is required.

Manitoba also believes the federal government should respect the agreement on the 10-Year Plan to Strengthen Health Care and delay the move to an equal per capita cash allocation for the CHT until after the current legislation expires in 2013/14. However, should governments determine that the move should occur in advance of this date, new funding should be added to the CHT base to protect provinces from declines resulting from the change. As with the CST, transition protection should also be provided to ensure no province or territory experiences declines in payments relative to what they would have received prior to the move to equal per capita CHT cash.

By returning to full Equalization and delaying or providing transition protection for the move to equal per capita CHT cash support, transfer payments would remain at levels required to protect essential services for all Canadians. It would also ensure that provinces can effectively participate in national efforts to help the Canadian economy recover and grow.

APPENDIX 1

In 2007, the Organization for Economic Co-operation and Development (OECD) released a report "Fiscal Equalisation in OECD Countries." This report was developed with information collected through a survey of OECD countries and covers a range of issues related to Equalization Programs. The report provides both information and recommendations, including a description of the "main reasons for Equalization."

Main reasons for equalisation

1. EQUITY

To equalise per capita tax revenue raising capacity and the per-beneficiary cost of providing public goods and services across regions. Tax raising capacity per capita and cost of providing public services can differ across regions for geographic or socio-economic reasons. The objective of equalisation is to provide every citizen with an average level of public services at comparable tax rates.

To equalise the marginal benefit of public spending across regions. OECD countries that have central government programs for important public services (such as health and education) administered by subcentral governments, may use equalising transfers to equalise the marginal social benefit of public spending across regions.

2. EXTERNALITIES

To avoid fiscal externalities resulting in a misallocation of labour and/or capital across regions. A decentralised fiscal system could distort the location decision of mobile factors. Unequal tax bases result in pecuniary incentives to locate in high tax base regions, thereby distorting location decisions of mobile factors of production. Grants that equalize tax bases across regions will eliminate this source of inefficiency.

3. INSURANCE

To provide insurance against asymmetric income or employment shocks. If the regions of a country are subject to asymmetric shocks, redistributive grants may provide regions with insurance against the adverse effects of such shocks on income or employment.

In all countries, the driving force for equalisation is equity, i.e. having similar tax raising capacity and equal access to public services across jurisdictions.

Source: OECD, Fiscal Equalisation in OECD Countries (2007)

APPENDIX 2

November 3, 2008 Program Changes – Technical Details

A number of changes to the O'Brien approach were introduced in November 2008. First, a "ceiling" was introduced to limit growth in Equalization payments to the three-year moving average growth of nominal GDP. For 2009/10, the growth in overall entitlements was capped at the average of nominal GDP growth in 2007, 2008 and 2009, and multiplied by the 2008/09 Program cost to establish an overall Program cost for 2009/10 at $14.185 billion. It is noteworthy that the O'Brien formula did not include a "ceiling" or "fixed pot" of annual Equalization entitlements – based on the principle that the Program should be responsive to changes in provinces' fiscal capacities (this cannot occur when there is an annual "fixed pot" of total Equalization entitlements to be split among Equalization-receiving provinces).

Second, a new fiscal capacity cap replaced the O'Brien fiscal capacity cap that ensured Equalization payments did not raise a province's total fiscal capacity above that of the lowest non-receiving province. With the partial exclusion of natural resource revenues from the formula, provinces with such revenues benefited from higher Equalization entitlements since the exclusion lowered their measured fiscal capacity. To ensure fairness, O'Brien recommended the use of a fiscal capacity cap to ensure that Equalization did not result in a receiving province having a fiscal capacity greater than that of the lowest-receiving province. Under the O'Brien model, the cap would include Equalization entitlements, 100% of natural resource revenues as well as offset payments made with respect to the Offshore Accords.

Under the cap introduced by the federal government on November 3, the cap is no longer set at the fiscal capacity of the lowest non-receiving province but at the average per capita fiscal capacity of all recipient provinces (it is triggered if the number of receiving provinces expands to cover roughly two-thirds of the Canadian economy i.e., if Ontario is a recipient province). The change meant the post-equalization fiscal capacity of receiving provinces was no longer related to the fiscal capacity of non-receiving provinces. In other words, where the O'Brien cap ensured fairness to non-receiving provinces, the new November 3 cap acts only to lower program costs and distribute the remaining "fixed pot" of funds. This will result in reduced Program adequacy, lower responsiveness and increased fiscal disparities among provinces on a go-forward basis.

For 2009/10 transition payments have been promised to recipient provinces to ensure a province does not receive less Equalization in 2009/10 than

it received in 2008/09. Manitoba and Nova Scotia will receive transition payments in 2009/10.

How the new fiscal capacity cap works

Stage 1: A first cap calculation is made to see whether a province would be a recipient (i.e., if its per capita fiscal capacity is less than the standard) if only 50% of natural resource revenues are included. In the new Program, only provinces that qualify as recipients at this stage are eligible to be tested at the next stage.

Stage 2: A second cap is applied with 100% inclusion of natural resource revenues; if full inclusion reduces a province's entitlement to $0 or less, it is eliminated from the Program.

Stage 3: A third (ceiling) cap is applied to reduce total Program expenditures to the ceiling amount ($14.185 billion). The third cap is an equal per capita deduction from the reduced entitlements (cap 2) of the recipient provinces.

If based on the new calculation, a province's 2009/10 entitlement is less than its 2008/09 entitlement, it will receive transition relief equal to the difference. Manitoba and Nova Scotia are eligible for transition payments in 2009/10, with no commitment for transition payments beyond 2009/10. To the extent transition payments would drive the cost of the Program above the "ceiling," the excess is recovered by reducing the entitlements of the non-protected receiving provinces on an equal per capita basis.

Budget Paper D

TAXATION ADJUSTMENTS

Manitoba

TAXATION ADJUSTMENTS

Contents

SUMMARY OF 2009 TAX MEASURES

A negative number represents a tax saving.

	2009/10	Full Year
	(Millions of Dollars)	
Ongoing Reductions [1]		
Personal Tax reductions	-35.2	-35.2
Business Tax reductions	-53.7	-93.6
Farmland School Tax Rebate [2]	-2.2	-2.2
	-91.1	**-131.0**
Personal Measures		
Education Property Tax Credit basic amount increased [2]	-16.4	-16.4
Manitoba Mineral Exploration Tax Credit extended and increased	-1.0	-1.5
	-17.4	**-17.9**
Health, Farm and Green Measures		
Tobacco Tax increased	9.0	9.0
Waste Reduction and Recycling Support Levy introduced [3]	3.3	7.6
Green Energy Equipment Tax Credit enhanced	-0.2	-0.2
Riparian Tax Credit enhanced and extended [2]	-0.1	-0.1
Retail Sales Tax exemption on manure tanks and lagoon liners made permanent	-0.1	-0.1
Odour Control Tax Credit extended	-0.1	-0.1
	11.8	**16.1**
Measures for Businesses		
Small business tax rate reduced to zero	-0.3	-9.5
Capital Cost Allowance rates extended: manufacturing machinery, computers [4]	-5.2	-7.3
Community Enterprise Investment Tax Credit enhanced	-5.0	-5.0
Advanced Level Apprentices Hiring Incentive introduced	-0.6	-3.0
Interest deductibility on certain foreign affiliate loans restored [4]	0.0	-2.4
Mining Tax rates reduced	-1.7	-1.7
Research and Development Tax Credit enhanced	-0.3	-1.0
	-13.1	**-29.9**
Other Changes	**-0.7**	**-0.9**
Total Changes, 2009 Budget	**-19.4**	**-32.6**
Total Changes Including Ongoing Tax Reductions	**-110.5**	**-163.6**

[1] Ongoing tax reductions are those that were announced in previous budgets to take effect in 2009:
(a) the increase in the Basic Personal, Spousal and Eligible Dependent amounts;
(b) the reduction in the first bracket rate and the increase in the bracket thresholds;
(c) enhancements to the Personal Tax Credit and commencement of the Primary Caregiver Tax Credit;
(d) the decrease in both Corporation Income Tax rates;
(e) the reduction in the Corporation Capital Tax rates;
(f) the increase in the Farmland School Tax Rebate from 70% to 75%.

[2] Expenditure program.

[3] The amounts are targeted for recycling and waste management and are not revenue in the Consolidated Fund.

[4] Parallels 2009 federal budget changes, pursuant to the Tax Collection Agreement.

PERSONAL MEASURES

EDUCATION PROPERTY TAX CREDIT

(2009/10 expenditure impact: $16.4 million)

The basic amount of the Education Property Tax Credit (EPTC) is increased from $600 to $650 in 2009.

Homeowners with sufficient property taxes will have this amount subtracted from their 2009 property tax bills, with the Province reimbursing school divisions and municipal governments accordingly. Renters with sufficient occupancy costs will receive the increased amount when they file their 2009 income tax return in the spring of 2010. The basic amount of the EPTC is not income-tested and is especially beneficial to many low-income households that do not pay income tax.

This measure saves homeowners and renters $16.4 million on a full-year basis.

For more information, contact Location B, page D12

PERSONAL INCOME TAX

Registered Disability Savings Plan

(2009/10 revenue impact: not applicable)

The taxable portion of withdrawals from Registered Disability Savings Plans (RDSPs) will be excluded from family net income for the purposes of three refundable Manitoba tax credits.

RDSPs were introduced effective December 2008. Eligibility for RDSPs coincides with eligibility for the disability income tax credit, and is not restricted to minors. Anyone can contribute to a person's RDSP. However, a beneficiary must be under 51 years of age for a contribution to qualify for the additional federal Canada Disability Savings Grant or Canada Disability Savings Bond. Contributions can be made until the year in which the beneficiary turns 59, to a maximum lifetime $200,000 per beneficiary. There is no minimum age for a beneficiary to register an RDSP, but withdrawals must be made starting at age 60.

Payments from the RDSP to a beneficiary are taxable, in part. The taxable portion of the RDSP withdrawal will not be included as family net income for purposes of three refundable Manitoba individual tax credits: the Education Property Tax Credit, the School Tax Credit for Homeowners, and the Personal Tax Credit.

It is estimated that 11,000 Manitobans with disabilities could potentially benefit from RDSPs. Without this change in family net income, RDSP drawings would eventually claw back an individual RDSP beneficiary's tax credits. The amendment to family net income will progressively eliminate the clawback of an estimated $550,000 in tax credits as take-up and accumulations in RDSPs ramp up over the years.

For more information, contact Location B, page D12

rimary Caregiver Tax Credit

2009/10 revenue impact: not applicable)

hanges in this program will ensure that caregivers of adults and children with disabilities in two major social programs will e able to access the tax credit more easily.

he Primary Caregiver Tax Credit (PCG-TC) was introduced in the 2008 Budget, commencing in the 2009 tax year, to rovide recognition and financial support to individuals who serve as volunteer primary caregivers for more than three ontinuous months. This program builds upon the Manitoba Home Care Program, and is intended to help care recipients ive independently as long as possible. Caregiving must be provided without remuneration to a person requiring a certain minimum level of care or supervision due to barriers caused by mental or physical health issues. The primary caregiver may be spouse, parent, or other relative; a neighbour; or a friend of the person receiving care.

Starting in 2009, the Department of Family Services and Housing (FSH) will be authorized to assess participants of two of its major programs to determine whether the participants' caregivers may be eligible for the PCG-TC. The FSH programs are the Supported Living Program, which assists adults with intellectual disabilities to live independently, and the Children's Special Services Program, which supports families who care for children with developmental or physical disabilities living at home. FSH will proactively seek to identify and assess program participants so that eligible caregivers may take advantage of the tax credit.

For the caregivers to be eligible for the credit, the PCG-TC qualification criteria still apply to these FSH program participants: they must be assessed by FSH as requiring a level of care equivalent to Manitoba Home Care's Level 2, 3 or 4. Once the FSH program participants are found to qualify, their caregivers may apply for the PCG-TC without additional approval from regional health authorities.

This new process is expected to facilitate take-up of the tax credit and streamline enrollment for up to about 3,700 FSH program participants and their primary caregivers. As is the case for all caregivers, there is a three-month qualification period, toward which caregiving as early as October 1, 2008 is counted. This will enable long-time caregivers of qualified FSH program participants to receive the PCG-TC for the full 2009 tax year.

The PCG-TC is a fully refundable Manitoba tax credit worth up to $1,020 per year per care recipient, claimable when the caregiver files her/his personal income tax return for the year in which the credit is earned. Only one person may be designated as the care recipient's primary caregiver at any one time. A caregiver may not earn the credit for more than three care recipients at one time.

For more information, contact Location H, page D12

Community Enterprise Development Tax Credit

(2009/10 revenue impact: not applicable)

The maximum value of issuable shares that a business can apply for under this program is doubled from $500,000 to $1,000,000, commencing in 2009.

The Community Enterprise Development Tax Credit was introduced in Budget 2003 and encourages Manitobans to invest in community-based enterprise development projects. This non-refundable personal income tax credit is equal to 30% on a maximum $30,000 investment in equity capital.

For additional information contact Location G, page D12

Mineral Exploration Tax Credit

(2009/10 revenue impact: $-1.0 million)

The rate of this credit is increased and the program is extended to cover share agreements entered into before April 1, 2012.

The Mineral Exploration Tax Credit was introduced in Budget 2002 as a 10% non-refundable personal income tax credit that reduces Manitoba income tax otherwise payable. The credit is earned when a Manitoba taxpayer purchases flow-through shares in qualifying exploration companies to finance Manitoba mineral exploration projects. Combined with the 15% renewed federal exploration tax credit, this gives an additional incentive to invest in exploring for minerals in Manitoba.

The credit will increase in two steps: to 20% on flow-through share agreements entered into from April 1, 2009 until March 31, 2010, and to 30% on flow-through share agreements entered into from April 1, 2010 until March 31, 2012.

The full-year cost of these tax credit changes is $1.5 million.

For additional information contact Location D, page D12

■ HEALTH, FARM AND GREEN MEASURES

Tobacco Tax

(2009/10 revenue impact: $9.0 million)

The Tobacco Tax is increased effective midnight, March 25, 2009. The rate will rise on cigarettes from 17.5 cents to 18.5 cents per cigarette, on fine-cut tobacco from 16.5 cents to 17.5 cents per gram, and on raw leaf tobacco from 15 cents to 16 cents pe gram.

Fines and penalties for tobacco tax offences will be increased and enforcement measures will be enhanced.

For more information, contact Location C, page D12

Waste Reduction and Recycling Support Levy

(2009/10 impact: $3.3 million)

A waste reduction and recycling support levy will be introduced on licensed municipal and private landfill operators.

Beginning July 1, 2009, the largest operators of Class 1 landfills will be required to pay $10 per tonne of waste delivered t their landfills. In 2010, the remaining Class 1 licensed landfill operators will be required to pay the weight-based levy on wast delivered after 2009. Class 2 and Class 3 operators will begin to pay the weight-based fee no later than 2011.

Of the revenue collected, 80% will be rebated to municipalities to further promote recycling in Manitoba, and 20% will fun increased provincial programs for e-waste and hazardous waste collection across Manitoba.

On a full-year basis this measure will generate an additional $7.6 million towards recycling, e-waste and hazardous wast management. This amount will have no impact on the Province's Consolidated Fund.

For more information, contact Location J, page D12

Green Energy Equipment Tax Credit

(2009/10 revenue impact: $-0.2 million)

The Green Energy Equipment Tax Credit is extended to solar thermal energy systems purchased for use in Manitoba starting in 2009.

This refundable income tax credit was introduced in Budget 2007 for prescribed renewable energy resource equipment manufactured or purchased for use in Manitoba. In 2008, geothermal ground source heating systems were made eligible for the tax credit in conjunction with the introduction of the Geothermal Energy Incentive Program administered by the Department of Science, Technology, Energy and Mines. The tax credit will now be expanded to include solar thermal heating equipment. Purchasers who install specified solar heating equipment in Manitoba will qualify for a refundable 10% Green Energy Equipment Tax Credit on the eligible capital costs.

Capital costs include invoiced costs of the solar heating system, as well as taxes – Manitoba sales tax, federal Goods and Services Tax, excise and customs taxes – and other costs related to acquiring and making the system operational – such as insurance, freight, installation and design. The costs must be incurred and paid. Any other government assistance received for purchasing or installing the system will reduce the amount claimable under the tax credit. Borrowing costs are not eligible.

Specified equipment must be conventional active solar heating equipment that is or will be used primarily for the purpose of heating liquid or gas, including:

- solar collectors,
- solar energy conversion equipment,
- solar water heaters,
- energy storage equipment,
- control equipment, and
- equipment designed to interface solar heating equipment with other heating equipment,

but not including

- a building or part of a building (other than a solar collector that is not a window and that is integrated into a building),
- equipment used to heat water for use in a swimming pool, or
- equipment that distributes heated air or water in a building.

Specified equipment must be new. Reconditioned or remanufactured equipment is ineligible for the credit. It is not, however, necessary to install a complete heating system in order to qualify for the credit.

Acceptable solar collectors must meet CSA Standard F378-87 or equivalent in order to qualify for the credit.

Where the equipment is for non-residential purposes (including multiple unit dwellings), the system must have a signed commissioning report attested by a professional engineer. If the installation is for a residential hot water system, the contractor must have successfully completed Level 1 of the Installer Certification Program for Residential Systems offered by the Canadian Solar Industries Association or be a certified installer, as may be prescribed.

Regulations implementing the above changes will be enacted in 2009.

For more information, contact Location B, page D12

Riparian Tax Credit

(2009/10 expenditure impact: $0.04 million)

The basic credit is doubled and the application deadline extended for the intake group running from 2009 through 2013.

The Riparian Tax Credit provides incentives to agricultural operators to commit themselves for five-year benefit periods t specific riparian management practices on the banks of waterways and on the shores of lakes.

The basic credit for all categories of riparian land is approximately doubled, which automatically doubles participants' slop premium entitlements and increases the off-site watering component of the credit for some operators. In addition, the percentag premium for sloped riparian land is increased from 20% to 30% of the basic credit, and the off-site watering component of th credit will be made renewable for participants who complete one benefit period and sign up for the next available intake group

The same enhancements will be made available to participants of previous intake groups whose benefit period is not y expired.

For more information, contact Location B, page D12

Retail Sales Tax – Manure Slurry Tanks and Lagoon Liners

(2009/10 revenue impact: $-0.075 million)

The temporary sales tax exemption that was to expire June 30, 2009, is made permanent.

For more information, contact Location C, page D12

Odour Control Tax Credit

(2009/10 revenue impact: $-0.02 million)

The Odour Control Tax Credit (OCTC), which was scheduled to expire at the end of 2009, is extended to the end of 2011

The OCTC was introduced in the 2004 Budget to encourage businesses to control nuisance odours that arise or may ar from the use or production of organic waste. Eligible expenditures include capital property acquired primarily for the purp of preventing, reducing, or eliminating nuisance odours. Originally a 10% non-refundable corporate income tax credit, Bud 2006 expanded the credit by making it refundable to agricultural producers, including individual farmers. The maxim refundable credit is equal to the total of Manitoba income tax payable and the amount of property taxes paid on Manit farmland by the agricultural producer in the applicable year. Also in 2006, the credit was extended to include anaero digesters and it was made easier for eligible investments to qualify for the credit where odour control is a significant, but necessarily the primary purpose, of a particular asset.

The extension through 2011 applies to both alternative ways of claiming the credit.

For more information, contact Location A, page D12

MEASURES FOR BUSINESSES

Small Business Rate and Dividend Tax Credit

(2009/10 revenue impact: $-0.3 million)

The small business income tax rate will be reduced to zero, effective December 1, 2010.

Accordingly, the Dividend Tax Credit on dividends other than eligible dividends will be adjusted to 1.75% starting with the 2011 taxation year. The Dividend Tax Credit rate is 2.5% for 2009 and 2010.

The full-year revenue impact of these changes is $-9.5 million.

Some corporations benefiting from the 0% small business income tax rate may still pay Manitoba corporation income tax on a portion of their taxable income: for example, where taxable income exceeds the small business income limit of $400,000, or where the corporation has income other than active business income (such as investment income). In these circumstances, Manitoba's non-refundable Corporation Income Tax credits will continue to be of value and may be claimed. Other corporations benefiting from the 0% Corporation Income Tax rate may no longer pay Manitoba corporation income tax and their non-refundable tax credits may go unused after 2010.

Under federal income tax rules, provincial tax credits received or receivable are treated as government assistance and, as such, they reduce the applicable business cost when the tax credits are earned, regardless of whether they are claimed. In these circumstances, corporations will experience higher taxable income for federal and provincial income tax purposes. The Province is interested in determining how best to ensure that corporations benefiting from the 0% tax rate are also not disadvantaged because of Manitoba tax credits earned prior to 2011 that may go unclaimed. Additionally, measures will be required where provincial tax credits are earned after 2010 but go unclaimed. One option to address the latter situation may be to allow a corporation to waive or renounce a credit, as is currently permitted under the Manitoba Research and Development (R&D) Tax Credit.

Once the 0% small business income tax rate is enacted into law, Manitoba Finance will post a discussion paper on its website (http://www.gov.mb.ca/finance/index.html). Affected companies, their representatives, and others who wish to provide input are invited to do so before the end of 2009.

For additional information contact Location A, page D12

Community Enterprise Investment Tax Credit

(2009/10 revenue impact: -$5.0 million)

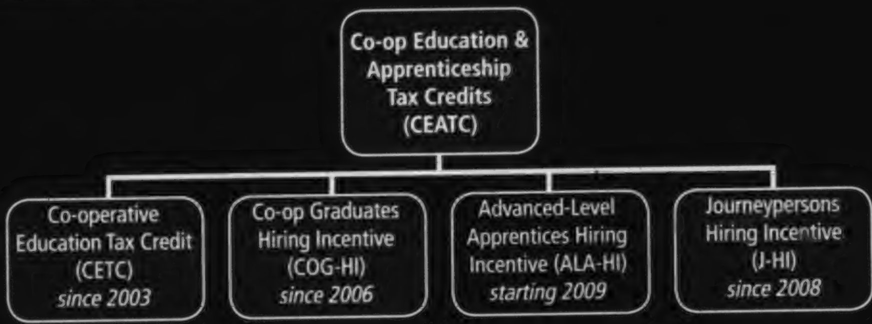
The maximum annual approval limit for this program is approximately doubled, from $16,667,000 to $33,000,000, commencing in 2009.

The credit is a non-refundable income tax credit equal to 30% on a maximum $450,000 investment in equity capital. It is available to both individual and corporate investors who acquire equity capital in emerging enterprises that require larger amounts of capital than community ownership can provide. The credit is available on eligible securities acquired after 2007 and before 2011.

For additional information contact Location F, page D12

Co-op Education and Apprenticeship Tax Credits

(2009/10 revenue impact: $-0.6 million)



A new component is added to this family of programs to encourage the hiring of advanced-level apprentices in high-demand trades, and all components are extended to December 31, 2011.

The Co-op Education & Apprenticeship Tax Credits (CEATC) is a family of programs that provide incentives to employers who offer work experience to young Manitobans. The Co-operative Education Tax Credit (CETC) was introduced in the 2003 Manitoba Budget for placement of students in post-secondary co-operative education programs. In 2006, the Co-op Graduates Hiring Incentive (COG-HI) extended the credit to cover hiring recent graduates of such programs. In 2008, the Journeypersons Hiring Incentive (J-HI) was added to provide a comparable tax credit to employers for hiring recent graduates of apprenticeship programs. These latter two components provide a credit of 5% of wages, net of other government assistance received or receivable, paid to a qualified graduate or journeyperson by the employer during each of two years of continuous full-time employment in Manitoba.

In December 2008, the government announced a new component, the Advanced-Level Apprentices Hiring Incentive (ALA-HI). In conjunction with the existing J-HI, this new component is intended to ease bottlenecks in high-demand trades, facilitating the Manitoba apprenticeship program at all levels.

The value of the new credit to the employer equals 5% of wages paid to the advanced-level apprentice for work performed in Manitoba, net of other government assistance received or receivable by the employer. The maximum credit for one apprentice completing one level is $2,500. There is no limit on the number of apprentices in respect of whom the employer can apply.

To become eligible, an employer hires an apprentice who is enrolling at an advanced level (Level 3, 4 or 5) in Manitoba on January 1, 2009 or later, and before the end of 2011. When the apprentice completes that level, the employer then earns an ALA-HI credit claimable in the company financial year in which it is earned.

Like all components of CEATC, the ALA-HI is fully refundable. Eligible employers include taxable corporations or exempt corporate entities (including not-for-profit agencies, Manitoba Crown entities, municipalities, universities, schools and hospitals). Unincorporated employers may claim the refundable credit on the individual income tax return.

The benefit of ALA-HI to employers on a full-year basis will be $3.0 million.

xample: ALA-HI and J-HI

a trade where five levels are required, an employer who hires a Red Seal apprentice through all five levels and retains her as certified journeyperson for a further two years after certification can earn up to $16,500 in federal and Manitoba tax credits: to $4,000 under the federal Apprenticeship Job Creation Tax Credit for Levels 1 and 2; up to $7,500 in Manitoba ALA-HI x credits for Levels 3 through 5; and up to $5,000 in Manitoba J-HI credits.

xample: CETC and COG-HI

n employer who hires a student in a participating co-operative education program for the maximum of five work placements ch of 10 weeks or more, and then shortly after graduation provides permanent employment for the student for at least two ars, can receive up to $10,000 in CETC and COG-HI benefits. There is no limit on the number of students for whom an nployer can earn credits.

r more information on ALA-HI, contact Location E, page D12

r more information on CEATC, contact Location B, page D12, or visit: http://www.gov.mb.ca/business/cetc.html

lining Tax Rate

009/10 revenue impact: $-1.7 million)

o maintain the health of Manitoba's mining sector and to ensure that Manitoba's mining tax regime remains competitive, e mining tax rate will be reduced from 18% to 17% effective July 1, 2009. In addition, a 15% rate will apply when operator ofits are between $55 and $100 million and a 10% rate will apply when operator profits are under $50 million. Transitional x rates will apply when operator profits are between $50 and $55 million or between $100 and $105 million.

he tax saving for mining companies as a result of this measure is expected to be about $1.7 million in 2009/10. The full-year mount will increase in subsequent years if commodity prices improve.

or additional information contact Location C, page D12

esearch and Development Tax Credit

2009/10 revenue impact: $-0.3 million)

o promote co-operation between corporations and research institutes, the 20% R&D Tax Credit will be made refundable or eligible expenditures incurred after 2009 by a corporation with a permanent establishment in Manitoba. Eligible cientific research and experimental development expenditures must be carried on in Manitoba under an eligible contract vith a qualifying research institute, which will include post-secondary institutions and research institutes in Manitoba, as rescribed.

The refundable credit will benefit qualifying corporations that conduct R&D in priority areas involving biotechnologies and ew technologies in such fields as medical science, the environment, agriculture, information, communications and computers, s prescribed.

The Department of Finance will work in 2009 with the Department of Science, Technology, Energy and Mines and with the nnovation Council to fully develop the refundable credit.

The full-year revenue impact of this measure is $-1.0 million.

For additional information contact Location A, page D12

CHANGES PURSUANT TO THE TAX COLLECTION AGREEMENT

The following measures parallel income tax changes announced in the federal 2009 budget. The full-year revenue impact of these measures is expected to be $-9.8 million.

Personal Tax Measures

(2009/10 revenue impact: $-0.06 million)

- The Home Buyers' Plan withdrawal limit (from Registered Retirement Savings Plans) is increased from $20,000 to $25,000.

For more information, contact Location K, page D12

Business Tax Measures

(2009/10 revenue impact: $-5.2 million)

- The 50% accelerated Capital Cost Allowance on manufacturing machinery and equipment is extended to property acquired in 2010 and 2011.
- Computer hardware and systems software acquired in 2009 and 2010 qualify for 100% capital cost allowance rate.
- The proposed nondeductibility of interest payments by Canadian companies respecting foreign affiliates is repealed.

For more information, contact Location K, page D12

OTHER CHANGES

Retail Sales Tax – Educational Workbooks

(2009/10 revenue impact: $-0.18 million)

The sales tax exemption for books is expanded to include educational workbooks, effective May 1, 2009.

The full-year tax saving for Manitobans is $200,000.

For more information, contact Location C, page D12

Gasoline & Motive Fuel Tax – Aviation Fuel

(2009/10 revenue impact: $-0.5 million)

Effective July 1, 2009, the aviation fuel tax rate for domestic cargo flights is reduced from 3.2 cents to 1.5 cents per litre and the fuel tax exemption for international cargo flights is expanded, effective July 1, 2009, to include direct and indirect cargo flights to and from the United States. The exemption will be provided through a rebate program.

The full-year saving for airlines is $0.7 million.

For more information, contact Location C, page D12

Gasoline & Motive Fuel Tax – Forestry

(2009/10 revenue impact: $-0.02 million)

The fuel tax exemption for forestry companies is expanded, effective May 1, 2009, to include fuel used for forest renewal.

The full-year saving for forestry companies is $25,000.

For more information, contact Location C, page D12

TECHNICAL AND ADMINISTRATIVE MEASURES

- The Book Publishing Tax Credit will be amended by changing the provision that ties the credit to books *for which contracts were entered into* after April 9, 2008 and before 2012 – to books *published* between the same dates. Books will also be recognized when the authors are paid by fee rather than by royalty.
For more information, contact Location I, page D12
- The rules governing Class A shares for Manitoba registered labour-sponsored venture capital corporations will be changed to accommodate one or more series of Class A shares.
For more information, contact Location A, page D12
- Individuals who, through a Tax-Free Savings Account, acquire eligible shares issued by a Manitoba-registered labour-sponsored fund, or shares approved under the Community Enterprise Development Tax Credit will qualify for Manitoba tax credits.
For more information, contact Location A, page D12
- Legislation will be amended to allow Manitobans to designate, outside of a will, the beneficiaries of their Tax-Free Savings Accounts.
For more information, contact Location A, page D12

CONTACTS FOR FURTHER INFORMATION

A	*Taxation, Economic & Intergovernmental Fiscal Research Division, Manitoba Finance (formerly Federal-Provincial Relations and Research Division)*	Telephone: Fax: e-mail:	204-945-3757 204-945-5051 fedprov@gov.mb.ca
B	*Manitoba Tax Assistance Office, Manitoba Finance*	Telephone: Toll-free: Fax: e-mail:	204-948-2115 in Winnipeg 1-800-782-0771 204-948-2263 tao@gov.mb.ca
C	*Taxation Division, Manitoba Finance*	Telephone: Toll-free: Fax: e-mail:	204-945-5603 in Winnipeg 1-800-782-0318 204-945-0896 mbtax@gov.mb.ca
D	*Minerals Policy and Business Development Unit, Manitoba Science, Technology, Energy & Mines*	Telephone: Fax: e-mail:	204-945-6566 204-945-8427 minesinfo@gov.mb.ca
E	*Apprenticeship Branch, Manitoba Competitiveness, Training & Trade*	Telephone: Toll-free: Fax: e-mail: Web:	204-945-3337 in Winnipeg 1-877-978-7233 204-948-2346 apprenticeship@gov.mb.ca http://www.gov.mb.ca/tce/apprent/future/apprent_taxcredit.html
F	*Financial Services, Business Services Division, Manitoba Competitiveness, Training & Trade*	Telephone: Fax: Web:	204-945-7626 204-945-1193 www.gov.mb.ca/ctt/busdev/financial
G	*Economic Development Initiatives, Manitoba Agriculture, Food & Rural Initiatives*	Toll-free: Web:	1-800-567-7334 www.gov.mb.ca/agriculture/ri
H	*Family Services & Housing*	Telephone: Toll-free Fax: e-mail:	204-945-5870 in Winnipeg 1-800-282-8069 204-945-5668 dpeia@gov.mb.ca
I	*Arts Branch, Manitoba Culture, Heritage, Tourism & Sport*	Telephone: Fax: e-mail	204-945-3847 204-948-1684 artsbranch@gov.mb.ca
J	*Manitoba Science, Technology, Energy & Mines*	Telephone: Toll-free: Fax: Web:	204-945-3268 in Winnipeg 1-866-460-3118 204-943-0031 www.greenmanitoba.ca/cim
K	*Canada Revenue Agency*	Toll-free:	1-800-959-8281 for individuals 1-800-959-5525 for businesses

I PERSONAL TAX SAVINGS SINCE 1999

rsonal Income Taxes, Education Property Tax Credits, Residential Education Support Levy and Farmland School Tax Rebate

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Cumulative Annual Totals
	(Millions of Dollars)											(Millions of Dollars)
come Tax Reductions												
BUDGET												
2000	9	68	34									111
2001		29	7	18								54
2002			15									15
2003					39							39
2005							30					30
2006							8	34				42
2007								25	51	28	16	120
2008									1	30	14	45
SUBTOTAL	9	97	56	18	39	0	38	59	52	58	30	455
roperty Tax Reductions[1]												
BUDGET												
2000	26											26
2001		27										27
2002			10									10
2003				19								19
2004					23							23
2005						37						37
2006							39					39
2007								42	2	2	2	48
2008									25			25
2009										16		16
SUBTOTAL	26	27	10	19	23	37	39	42	27	18	2	271
Annual Totals	35	124	67	37	62	37	77	101	79	76	32	726
Cumulative Annual Totals	35	159	226	262	324	361	438	539	618	694	726	

otals may not add due to rounding.

Property tax reductions result from increases to the Education Property Tax Credit; implementation of, and subsequent increases in the Farmland School Tax Rebate; and reductions in the Residential Education Support Levy, which was phased out completely in 2006.

MANITOBA INCOME TAX SAVINGS FOR TYPICAL TAXPAYERS

Income	Tax payable 1999 (Dollars)	Tax payable 2009 (Dollars)	Annual Tax Savings in 2009 (Dollars)	2009 Savings over 1999 (Percentage)	Cumulative Savings over 10 Years (Dollars)
SINGLE PERSON[1]					
10,000	88	-73*	161	182.3%	1,053
20,000	1,369	1,127	242	17.7%	1,778
40,000	4,012	3,347	665	16.6%	4,421
70,000	9,153	7,274	1,879	20.5%	11,551
100,000	14,572	12,494	2,079	14.3%	13,477
FAMILY OF FOUR – ONE EARNER[1]					
25,000	411	-132*	543	132.2%	3,719
40,000	2,861	1,851	1,010	35.3%	6,741
60,000	6,625	4,599	2,026	30.6%	13,429
75,000	9,435	7,029	2,405	25.5%	15,546
100,000	13,951	11,622	2,329	16.7%	14,913
FAMILY OF FOUR – TWO EARNERS[1]					
30,000	533	133	399	74.9%	3,064
40,000	1,360	904	457	33.6%	3,730
60,000	4,107	3,261	846	20.6%	6,585
80,000	7,169	5,691	1,478	20.6%	10,560
100,000	10,188	8,211	1,977	19.4%	13,371
SENIOR COUPLE[2]					
30,000	39	-316*	355	910.4%	2,625
40,000	1,667	823	845	50.7%	4,681
60,000	5,635	3,450	2,185	38.8%	10,708
80,000	8,893	6,495	2,397	27.0%	13,088

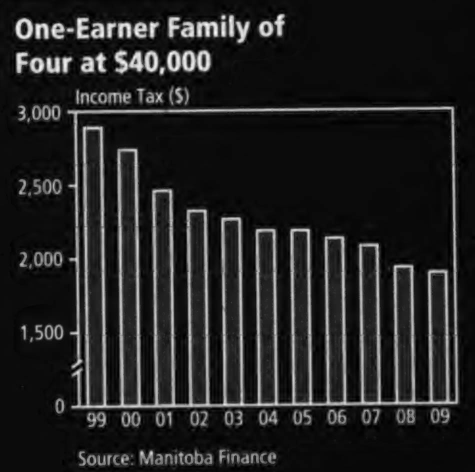
Note: Some values may differ from previous years' tables due to changed assumptions regarding pension income splitting and the Personal Tax Credit.

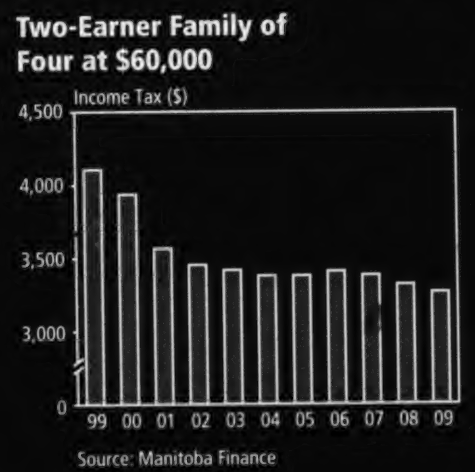
[1] It is assumed that taxfilers in the single and family examples have earned income and pay Canada Pension Plan and Employment Insurance premiums. In the two-earner family, it is assumed one taxfiler earns 60% of the income, and the other earns 40% and pays child-care fees. The Children's Fitness Tax Credit is also claimed for one child in both family examples. For families with children, income does not reflect Universal Child Care Benefit entitlements but entitlements have been included in tax calculations.

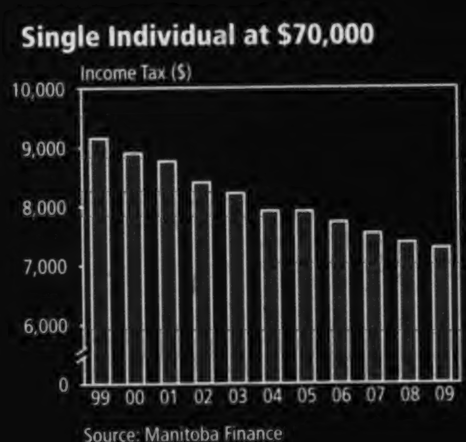
[2] For the senior couple example, it is assumed that both receive the Old Age Security Pension and only one spouse receives private pension income. The ability to split private pension income was offered beginning with 2007 therefore, for 2007 to 2009, it is assumed that private pension income is split 50/50.

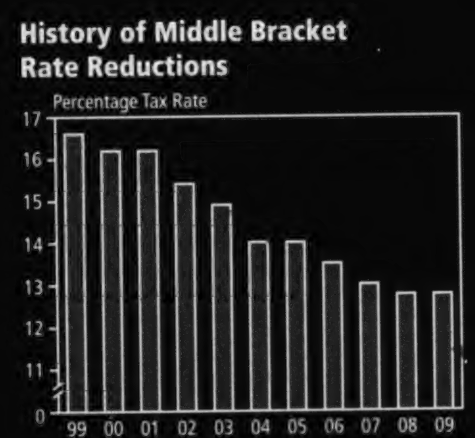
* A negative amount indicates an income tax rebate.

MANITOBA INCOME TAX SINCE 1999









2009 INTERPROVINCIAL COMPARISON OF TAX RATES

Shows rate applicable on December 31, 2009. Data as of March 25, 2009

	BC	AB	SK	MB	ON
Personal Income Tax					
Top Marginal Rate (%)[1]	14.70	10.00	15.00	17.40	17.41
Health Care Premiums ($)[2]	1,296	----	----	----	0 to 900
Employer Payroll Tax (%)[3]	----	----	----	2.15	1.95
Corporation Income Tax (%)					
Small	2.50	3.00	4.50	1.00	5.50
Large	11.00	10.00	12.00	12.00	14.00
Manufacturing	11.00	10.00	10.00	12.00	12.00
Small business threshold ($000)	400	500	500	400	500
Capital Tax (%)[4]	----	----	----	0.10	0.225
Manufacturers	----	----	----	----	----
Banks	1.00	----	3.25	3.00	0.675
Sales Tax (%)[5]	7.00	----	5.00	7.00	8.00
Diesel Fuel Tax (¢/l)[6]	15.00	9.00	15.00	11.50	14.30
Gasoline Tax (¢/l)[7]	14.50	9.00	15.00	11.50	14.70
Tobacco Tax (¢/cigarette)[8]	18.50	18.50	18.30	18.50	12.35
Corporation Income Tax Credits					
Manufacturing (%)[9]	----	----	5.00	10.00	----
Research & Development (%)[10]	10.00	10.00	15.00	20.00	10.00

1 Top marginal provincial rates include surtaxes paid by taxpayers in the highest bracket. For more detailed interprovincial comparisons of personal income taxes, see The Manitoba Advantage.

2 The premium for BC is the family rate; lower rates apply for individuals. ON calculates premiums based upon taxable income: for incomes of $20,000 or less the premium is zero and the maximum premium of $900 is reached at an income of $200,600. The premiums for the QC Prescription Drug Plan are based on income and are a maximum of $570 for a single person and $1,140 for a family.

3 MB exempts firms with payrolls of less than $1.25 million. ON exempts firms with payrolls of less than $400,000. QC has graduated rates for firms with payrolls of under $5 million. NL exempts firms with payrolls of less than $1 million.

4 MB has a $10 million deduction and a 0.3% rate on taxable paid-up capital in excess of $21 million. ON has a $15.0 million deduction. QC has a $1 million exemption and graduated rate reductions for the range between $1 million and $4 million. NS has a $5 million exemption.

FEDERAL AND MANITOBA INCOME TAX RATES, 2009

Personal Income Tax Rates

Federal

Rate	Taxable Income Range
15%	$0 – $40,726
22%	$40,727 – $81,452
26%	$81,453 – $126,264
29%	over $126,264

Manitoba

Rate	Taxable Income Range
10.8%	$0 – $31,000
12.75%	$31,001 – $67,000
17.4%	over $67,000

QC	NB	NS	PE	NL	
					Personal Income Tax
19.22	17.00	19.25	18.37	15.50	Top Marginal Rate (%)[1]
0 to 1140	----	----	----	----	**Health Care Premiums ($)[2]**
4.26	----	----	----	2.00	**Employer Payroll Tax (%)[3]**
					Corporation Income Tax (%)
8.00	5.00	5.00	2.10	5.00	Small
11.90	12.00	16.00	16.00	14.00	Large
11.90	12.00	16.00	16.00	5.00	Manufacturing
500	500	400	400	400	Small business threshold ($000)
0.24	----	0.15	----	----	**Capital Tax (%)[4]**
----	----	0.15	----	----	Manufacturers
0.48	3.00	4.00	5.00	4.00	Banks
7.50	8.00	8.00	10.00	8.00	**Sales Tax (%)[5]**
16.20	16.90	15.40	11.50	16.50	**Diesel Fuel Tax (¢/l)[6]**
15.20	10.70	15.50	7.10	16.50	**Gasoline Tax (¢/l)[7]**
10.30	11.75	16.52	19.95	18.00	**Tobacco Tax (¢/cigarette)[8]**
					Corporation Income Tax Credits
5.00	----	----	10.00	----	Manufacturing (%)[9]
----	15.00	15.00	----	15.00	Research & Development (%)[10]

Retail Sales Tax refers to general rate only. QC and PE apply the sales tax on top of QST- and GST-inclusive prices. Sales taxes in NB, NS and NL are harmonized with the federal Goods and Services Tax.

Vancouver and Victoria levy an additional 6 cents and 2.5 cents per litre respectively. BC additionally imposes a carbon tax of 4.04 cents per litre of diesel fuel. QC applies QST; NB, NS and NL apply HST. PE's diesel fuel rate is set on a monthly basis, and has a flat and variable component, to a maximum of 20.2 cents per litre. The flat component is shown in the table.

Vancouver, Victoria and Montréal levy an additional 6 cents, 2.5 cents and 1.5 cents per litre respectively. BC additionally imposes a carbon tax of 3.51 cents per litre of gasoline. QC applies QST; NB, NS and NL apply HST. PE's gas tax rate is set on a monthly basis, and has a flat and variable component, to a maximum of 15.8 cents per litre. The flat component is shown in the table.

SK, MB, NB, NS and NL apply sales tax to all tobacco products.

SK's credit is fully refundable. 70% of MB's credit is refundable. QC's credit is fully refundable if under $250 million of taxable capital. PE's credit is non-refundable.

BC's is refundable for Canadian-controlled Private Corporations for expenditures up to $2 million. AB's maximum credit is $400,000. SK, AB, ON, NB, NS and NL's credits are refundable. MB's credit is refundable for expenditures on new technologies (starting 2010) but otherwise is non-refundable.

Corporation Income Tax Rates

	Federal	Manitoba
Basic Rate	19.0%	12.0%*
Small Business Rate	11.0%	1.0%
Small Business Threshold	$500,000	$400,000

* Effective July 1, 2009

■ APPENDIX: MANITOBA TAX EXPENDITURES 2008/09

Introduction

Governments use the tax system to pursue social, cultural and economic objectives in two ways: by direct spending of the revenue raised, and by providing targeted tax preferences to promote specific types of activity or behaviour. The targeted tax preferences can be thought of as tax expenditures since they have much the same effect as direct government spending. For example, direct grants for small businesses, and tax credits for people who invest in small businesses, could have quite similar costs and results. A tax expenditure is measured as a deviation from a benchmark tax base. The expenditure can be in the form of a deduction, credit, preferential rate, deferral or exemption. Tax expenditures may target taxpayers (ex: individuals corporations); activities (ex: farming, film production, manufacturing); property (ex: machinery, equipment); sources of income (ex: pensions); transactions (ex: RRSP contributions); or events (ex: involuntary dispositions).

Accounting for Tax Expenditures

Tax expenditure accounts promote accountability and transparency in government programming. Direct expenditure programs are subject to review and approval by the Legislature, and are published annually in the public accounts. Tax expenditures on the other hand, are not recorded as individual line items but are absorbed into revenue estimates. Tax expenditures reduce government revenues that would otherwise have been available for various direct expenditures. Therefore, tax expenditure accounts not only help to enhance the visibility of programs, but promote public accountability as well. Departments routinely estimate and evaluate the cost of various tax incentives as part of the annual budget process. It is generally understood tha tax expenditure accounting in no way evaluates tax policy, nor does it address the desirability of the tax provisions, or thei usefulness in achieving tax policy objectives.

Limitations of Tax Expenditure Accounting

Tax expenditure accounting has important limitations that must be kept in mind when interpreting results. There are no formal accounting guidelines for tax expenditures. The value of each tax expenditure is estimated individually. Interactions between provisions are not taken into account. This has two effects. First, estimates for two or more tax expenditures cannot be added together to arrive at a combined value. Second, changing any one tax expenditure might affect the value of other tax expenditures. For example, changing something that is a deduction from income, such as RRSP contributions, would change reported net income. This in turn would change the value of tax credits, such as Manitoba's Personal Tax Credit, that depend on net income. The combined value of the tax expenditures listed in the account is substantially less than the sum of the individual items.

Reporting Tax Expenditures

Manitoba's tax expenditure accounts are separated into six sections: personal income tax, corporation income tax, payroll tax, retail sales tax, fuel taxes and corporation capital tax. The estimates are calculated from tax collection and departmental data. The estimates provided are for the 2008/09 fiscal year. They do not include measures announced in the 2009 Budget or measures announced in previous budgets for implementation after 2008/09. Certain Manitoba personal income tax credits have the characteristics of tax expenditures but are, in fact, accounted for in Manitoba's Estimates of Expenditure. Examples include the Education Property Tax Credit and the Personal Tax Credit. These credits are not included in the tax expenditure table. For the sake of comparison, these credits are listed below.

CREDITS ACCOUNTED FOR AS EXPENDITURE ITEMS	2008/09 (millions of dollars)
Education Property Tax Credit (including the Advance)	251.0
Personal Tax Credit	43.0
Farmland School Tax Rebate	30.2
Community Enterprise Investment Tax Credit	6.3
School Tax Credit for Homeowners	2.0
Political Contribution Tax Credit (for individuals only)	1.1
Community Enterprise Development Tax Credit	0.2
Riparian Tax Credit	0.1
TOTAL	333.9

MANITOBA TAX EXPENDITURES, 2008/09

	(Millions of Dollars)
PERSONAL INCOME TAX	
(a) Adjustments to Income (in accordance with tax collection agreements)	
Contributions to RRSPs	136.9
Capital gains inclusion rate	89.7
Contributions to RPPs	72.6
Lifetime capital gains exemption	25.9
Social assistance, WCB, and OAS/GIS (non-taxable income)	19.3
Union dues and professional fees	15.0
Child-care expenses	11.8
Pension income splitting	8.5
Northern Residents Deduction	5.8
Moving expenses	1.7
Scholarship and bursary income exemption	1.8
Tradespeople's tool expense	0.4
Tax-Free Savings Account	0.2
(b) Non-refundable tax credits (basic credits provided federally and by all provinces)	
Basic personal	593.1
CPP/EI	103.4
Family Tax Benefit	67.0
Charitable donations	66.1
Age	31.6
Tuition fees and education amount ($400/month)	26.0
Medical expenses	25.8
Spousal	21.5
Eligible dependant	15.9
Disability	12.8
Private pension	12.3
Caregiver	1.5
Student loan interest	1.0
Infirm dependants	0.1
(c) Other Manitoba Tax Measures	
Tuition Fee Income Tax Rebate	9.7
Children's Fitness Tax Credit	3.0
Foreign Tax Credit	2.8
Mineral Exploration Tax Credit	1.3
Primary Caregiver Tax Credit	1.0
Overseas Employment Tax Credit	0.5
Labour-sponsored Venture Capital Corporations Tax Credit	0.4
Adoption Expenses Tax Credit	0.1

	(Millions of Dollars)
CORPORATION INCOME TAX	
Low rate for small business	139.1
Manufacturing Investment Tax Credit	27.0
Film and Video Production Tax Credit	16.0
Research and Development Tax Credit	12.0
Green Energy Equipment Tax Credit	0.7
Book Publishing Tax Credit	0.5
Co-op Education and Apprenticeship Tax Credits	0.2
Interactive Digital Media Tax Credit	0.1
Odour Control Tax Credit	0.1
PAYROLL TAX	
$1.25 million exemption	125.4
Exemption for interjurisdictional common carriers	12.6
RETAIL SALES TAX	
Exemptions and Refund Programs	
Groceries	191.3
Farm machinery and repairs	42.7
Farm and organic fertilizer	21.8
Prescription drugs and medicine	20.1
Books, free magazines and newspapers, and school yearbooks	17.3
Farm pesticides and herbicides	16.6
Medical supplies, appliances and equipment	13.2
Electricity used for manufacturing or mining	12.2
Natural gas for residential heating	11.6
Water supplied by a municipality	11.3
Children's clothing and footwear	10.4
Custom software and computer programming	6.8
Vehicle trade-ins	5.8
Toll-free calls	5.4
Electricity for residential heating	4.8
Vehicle private buy/sell refunds	3.2
Direct agents and qualifying items used in manufacturing a product for sale – including drill bits and explosives used in the mining industry	2.8
Municipal exemptions (including the purchase of ambulances, fire trucks and related equipment, and gravel or sand purchased by a municipality for its own use)	1.5
Qualifying geophysical survey and explorations equipment, drill rigs and well servicing equipment used in oil and gas exploration and development	1.4
Feminine hygiene products	1.1
Mobile, ready-to-move and modular homes (point of sale reduction)	0.8
Films for public broadcast	0.4

	(Millions of Dollars)
RETAIL SALES TAX (Continued)	
Non-prescription smoking cessation products	0.4
Farm manure slurry tanks and lagoon liners	0.1
Qualifying geophysical survey and exploration equipment, and prototype mining equipment	0.1
FUEL TAX	
Marked gasoline and diesel	39.0
Ethanol grant	24.3
Biodiesel exemption	0.1
CORPORATION CAPITAL TAX	
Capital deduction	29.0
Manufacturers exemption	18.7
Credit unions and caisse populaires exemption	15.1
Co-operatives exemption	0.7

All estimates are based on the most complete information available at the time of publication.
In some cases new information may significantly revise earlier estimates.
Source: Manitoba Finance Estimates, March 17, 2009

Budget Paper E

THE MANITOBA ADVANTAGE

Manitoba

THE MANITOBA ADVANTAGE

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THE MANITOBA ADVANTAGE

2008 was a year of considerable global economic instability. International financial turmoil and a sharp U.S. recession brought major changes to Canada, with retrenchment and restructuring across several regions and industries.

Over the last decade, Manitoba's economy has been the most stable in Canada. Through the ups and downs of the business cycle, Manitoba has posted a steady, predictable economic performance. Manitobans have enjoyed uninterrupted increases in capital investment, buoyant housing markets and continuous strength in labour markets. In 2008, Manitoba was estimated to have posted one of the highest growth rates among provinces. With a diversified economy, a large and stable service sector and a broad export market, Manitoba's economy is on track in 2009 to outpace the national average for a fourth consecutive year.

Credit Rating Agency Improvements for Manitoba, 2000-2008

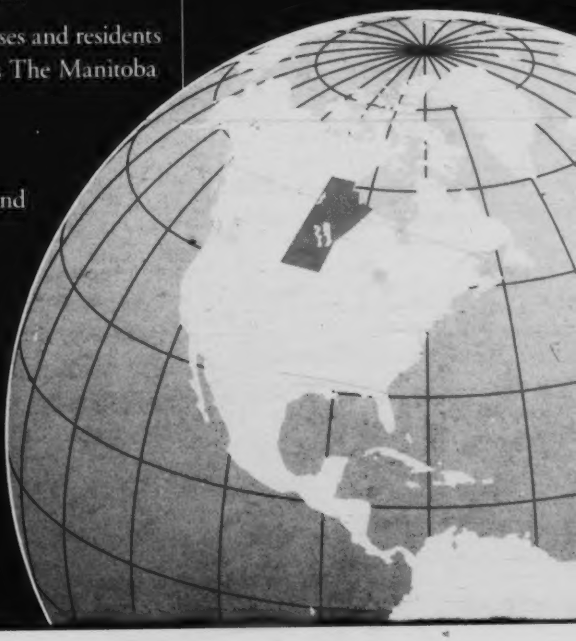
Date	Agency	Actions
January 2003	Moody's	Upgraded to Aa2
September 2003	DBRS	Upgraded to A (high)
October 2006	DBRS	Upgraded Short-Term Debt Rating to R-1 Mid
November 2006	Moody's	Upgraded to Aa1
November 2006	Standard & Poor's	Outlook upgraded from (stable) to (positive)
December 2007	Standard & Poor's	Upgraded to AA (stable)

It is also this strength that's made Manitoba a destination for those looking for a place to live, work and invest. Over the last two years, Manitoba's population has grown at a higher rate than any time over the past 36 years. At the same time, Manitoba's unemployment rate in 2008, at 4.2%, was the lowest since the early 1970s.

A stable, predictable economic environment is an important asset for a young family considering the purchase of a first home, a recent graduate looking to start a career or a business looking for opportunities to invest. This is particularly true now, as the international economy enters a period of tremendous uncertainty not seen for a generation.

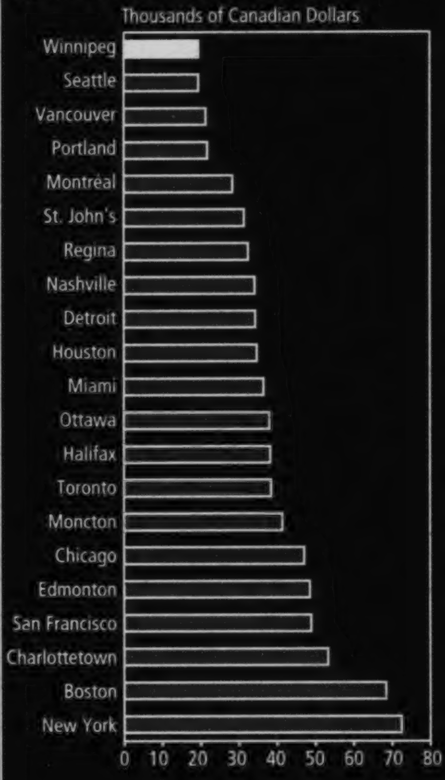
While a stable, growing economy is important, Manitoba provides businesses and residents with a wide variety of other advantages. Together, we call these strengths The Manitoba Advantage:

- a productive, growing, well-educated and multilingual labour force
- a favourable business cost environment, including competitive office and land costs, reasonable construction costs and affordable taxes
- modern and extensive communications infrastructure
- an extensive network of research and development (R&D) facilities and personnel, supporting innovation and productivity growth
- a convenient mid-continent location in the North American central time zone



- cost-effective transportation links and intermodal facilities providing shipping by road, rail, air and sea
- extensive natural resources including expansive fertile land and abundant clear water
- a very favourable cost of living, including among the lowest auto insurance rates in Canada and North America's lowest electricity costs
- reliable and accessible public services, including quality universal public health care and affordable advanced education opportunities
- safe communities, a dynamic cultural and artistic community, and an attractive natural environment – all of which contribute to an unsurpassed quality of life.

Monthly Electricity Cost
Commercial/Industrial Customer
1,000 kW and 400,000 kWh, 2008



Source: Hydro-Québec

This budget paper provides details on The Manitoba Advantage, including business and personal costs and taxes, facts on Manitoba's quality of life and Manitoba's Arts and Culture Advantage.

What is the Manitoba Advantage?

Manitoba has posted Canada's most stable growth over the last ten years. Diversity is the key to this stability, as the province is home to a wide variety of industries producing a range of industrial and consumer goods including aerospace and bus manufacturing, food processing, pharmaceuticals, financial services, entertainment, electricity, chemicals, minerals, agriculture and transportation. Manitoba's consistent economic performance contributes to a more stable workforce and a predictable local business environment.

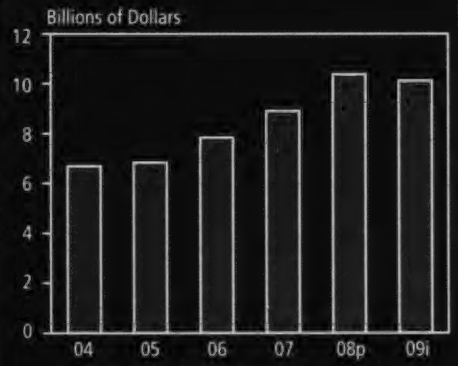
Manitoba Hydro is one of North America's major electricity companies and the lowest-cost electricity provider in Canada. About 98% of Manitoba Hydro's installed generating capacity produces clean, reliable and environmentally desirable water power. In Manitoba this is a plentiful resource – about 13% of Canada's fresh water enters Manitoba and moves through to Hudson Bay. Manitoba Hydro currently has a generating capacity of almost 5,500 megawatts (MW) in the province and tremendous potential for future growth with over 5,000 MW more of hydro resources identified for possible development. The utility has started construction on the new 200 MW Wuskwatim hydro-electric generating facility, now due for completion in late 2011. In 2006, Manitoba became home to a new 99 MW wind farm and is currently planning for the addition of a further 300 MW of wind generation.

Manitoba's central location in North America has long made the province a transportation hub. Together, Manitoba's intermodal transportation facilities offer substantial flexibility and cost savings to business, with ready access to the United States. Winnipeg is the largest distribution centre between the Pacific coast and Toronto, and the only major city between Vancouver and Thunder Bay with direct U.S. rail connections. Winnipeg's

ensive and modern rail car marshalling facilities for both national railway systems, nadian Pacific Railway and Canadian National Railway, can handle over 5,000 rail cars day. Burlington Northern Santa Fe Railroad has direct connections from Manitoba to U.S. and service into Mexico. Manitoba is a central nexus for truck cargo, with several of nada's top for-hire trucking carriers headquartered in Winnipeg. Manitoba has more than 00 for-hire trucking companies that operate either interprovincially or internationally. e rapid increase in Manitoba's exports has vaulted the Emerson-U.S. border crossing ility into top spot in the value of truck trade among western Canada's border crossings. ith $14.7 billion in trade traffic in 2007, Emerson is the fifth largest among all Canadian rder crossings.

flexible and convenient air transportation system is vital to business ccess. Winnipeg James Armstrong Richardson International Airport is e of the few major North American airports that operates 24 hours a day. e airport is also one of the most reliable in the world, averaging less than o hours down time per year. It offers a broad range of services including ernational carriers, commuter airlines, jet freight, and extensive cargo and urier facilities. The Airport is currently undergoing an extensive, multi-r capital program with total construction investment of $585 million, luding the construction of a new air terminal building. The project will completed in 2010.

Capital Investment in Manitoba, 2004 to 2009i



p - Preliminary i - Intentions
Source: Statistics Canada

nitoba is home to the only deep-sea port on the prairies. The Port of urchill, offers shippers cost advantages for ocean shipping to and from jor overseas trading markets through Hudson Bay. The Port has four ep-sea berths to allow loading and unloading of cargo and grain from sels with up to 70,000-tonne capacity. In 2008, Churchill benefitted m above-average annual grain shipments through the Port. In 2007, urchill shipped 621,000 tonnes of grain, the most in 30 years.

anitoba is moving ahead with the development and promotion of CentrePort Canada, anitoba's inland port. Substantial infrastructure investments will build on the province's ll-established network of air, rail, sea and trucking routes. As well, 20,000 acres of land the vicinity of the Winnipeg James Armstrong Richardson International Airport have en designated for the inland port to serve as a transportation, trade, manufacturing, tribution, warehousing and logistics centre.

ith an extensive resource base, Manitoba is a major producer of primary goods. The ning industry processes a wide variety of minerals including nickel, copper, zinc, cesium, ntalum and gold. Manitoba has seen a rapid growth in its oil industry, with record levels drilling activity over the past few years. Manitoba has a large and long-established estry industry that produces paper, newsprint and lumber. The inland commercial hing industry is one of Canada's largest, employing over 3,000 fishers and, with a catch rth $26 million, accounting for one-quarter of Canada's commercial freshwater catch. temperate climate, rich soil, fresh water and a large land base have made Manitoba a key

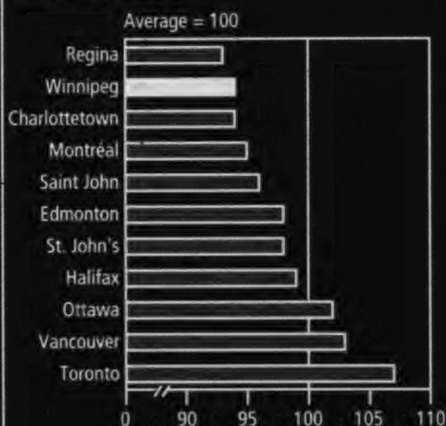
agriculture producer. Careful management of Manitoba's natural endowments ensures the sustainable development of these resources now and in the future.

Manitobans enjoy advanced connectivity through a comprehensive telecommunications infrastructure. Broadband services are widely available and the extensive cellular network covers virtually all of the province's population. High-speed internet is available to the substantial majority of Manitoba households, making Manitoba one of the most broadband-enabled provinces in the country.

Average House Price Standard Townhouse

Source: Royal LePage Survey of Canadian House Prices, Fourth Quarter 2008

Index of Retail Prices, October 2007



Source: Statistics Canada

Research and innovation continue to play an important role in Manitoba's economic growth and diversification. The province has a strong and growing knowledge cluster in a number of fields, although the R&D presence is most notable in life sciences. Private industry, government and post-secondary institutions contribute to the province's growing R&D infrastructure.

Manitoba remains committed to providing quality public services such as health care. There are no premiums or personal charges for medical services in Manitoba for either employers or individual Manitobans. This is a major advantage over U.S. locations for both businesses and residents. In the U.S., 2008 premiums for employer-sponsored health insurance averaged over US$12,680 per employee for family coverage, up 119% since 1999.

Having the skills and knowledge to take on the challenges of the 21st century is a prerequisite for a prosperous and growing economy. Manitobans enjoy a quality public education system, including affordable, high quality post-secondary education opportunities in several universities and colleges. Higher education is accessible in Manitoba, with undergraduate tuition among the most affordable in Canada. Approximately 26,000 students attend the University of Manitoba on a full-time or part-time basis. The University offers a wide range of post-secondary programs, including a wide range of graduate programs, sciences and arts, medicine, law, architecture, fine arts, engineering and agriculture. Another 14,000 students are enrolled in study at Manitoba's other four universities. As well as university study, about 16,000 students are enrolled in Manitoba's three community colleges.

Manitoba's Tuition Fee Income Tax Rebate provides recent graduates with a significant tax advantage for living and working in Manitoba. Manitoba taxpayers qualify if they graduated from a post-secondary institution on or after January 1, 2007, regardless if the post-secondary training took place in Manitoba or elsewhere. Eligible taxpayers receive a 60% income tax rebate on their eligible tuition fees. The maximum rebate is $25,000, and can be claimed over a minimum of six years or up to 20 years.

Competitive operating costs and taxes have made Manitoba one of the least expensive provinces in Canada to do business. More details on Manitoba's business cost advantage can be found in Appendix 2, Manitoba's Competitive Environment for Manufacturing (see p. 27).

Manitoba's Quality of Life Advantage

Manitoba's capital, Winnipeg, is a growing cosmopolitan centre of 712,000. While Winnipeg is a large and modern centre, workers enjoy the benefits of convenient and community-minded living. For example, the median commuting distance to work in Winnipeg is about 6.1 kilometers, the shortest commute of any major Canadian city with a population over 500,000.

Manitobans have a strong community spirit and long tradition of helping others. Manitobans are among the country's leaders in terms of volunteer activity with community, social and charitable groups, with half of the province's population reporting voluntary service. Similarly, Manitoba has the highest percentage of residents among all provinces donating to registered charities.

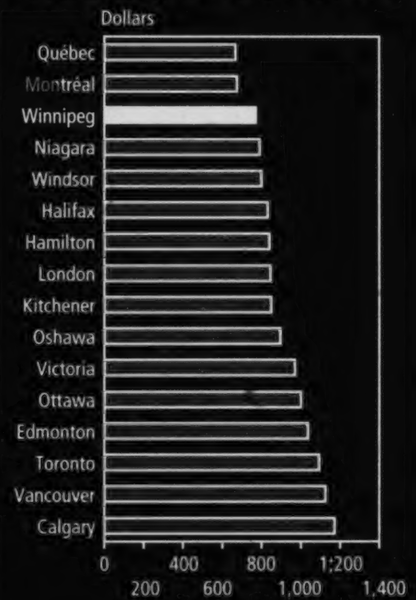
Winnipeg has an active and vibrant artistic and cultural scene, including the Winnipeg Art Gallery, the Manitoba Museum, the Royal Winnipeg Ballet, the Winnipeg Symphony Orchestra, the Manitoba Chamber Orchestra, the Manitoba Theatre Centre and many other live theatre groups. Manitobans love to celebrate their heritage and the arts, so the province boasts 100 festivals held throughout the year – including the Winnipeg Fringe Festival, Folklorama, the Royal Manitoba Winter Fair, the Festival du Voyageur and the Winnipeg Folk Festival.

Manitoba's diverse population has created a rich and rewarding fabric of cultural and artistic accomplishments. For more details, see The Manitoba Arts and Culture Advantage, page 7.

Manitoba has a long sporting tradition. There are professional sports teams in the Canadian Football League, the American Hockey League and the Northern Baseball League. The sport of golf came to the province in the early 1800s and now, with more than 125 golf courses, Manitoba has one of the highest ratios of golf courses to golfers in Canada and one of the highest participation rates in Canada with almost one in three Manitobans teeing off in the province.

Manitoba is recognized for a variety of outdoor attractions. Beaches, lakes, rivers and parks are integral parts of Manitoba's quality of life. Manitoba is a province of 100,000 lakes, with almost 15% of the province covered by lakes and rivers. In Manitoba, you're never far from an opportunity to participate in water sports like canoeing, kayaking, or swimming, or to just relax at one of Manitoba's world-class beaches. Proximity to lakes and affordable vacation homes has given Manitobans one of the highest rates of vacation home ownership in the country. Winters offer extensive family recreation opportunities for skiing, curling, snowmobiling and (of course) hockey! Whether you are an observer or a participant, the choices for recreation are almost endless.

Average Rents, October 2008
Private Two-Bedroom Apartments
CMAs with Population over 250,000



Note: excludes provincial renters' credits

Source: Canada Mortgage and Housing Corporation

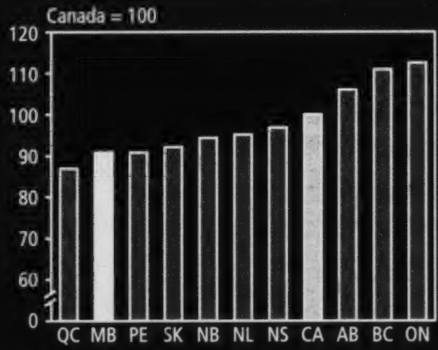
A Composite Index of Living Costs

While there are several methods of measuring living cost differences between locations, no one measurement method is completely satisfactory. What is being measured, how it is measured and when it is measured are all important factors in establishing reliable living cost differentials.

Manitoba Finance has developed a Composite Index (CI) of Living Costs based on four different measures of living costs. The CI for each province is the simple average of the four index measures for each jurisdiction, with the Canadian average set equal to 100. Each of the indices are based on a method that measures living costs differently, though the results show that there is not a great deal of variance in the relative rankings among provinces in respect of personal costs.

The CI results for the provinces using the latest available data are shown in the adjacent chart with an index value of 100 equal to Canada.

Composite Index of Living Costs



Source: Manitoba Finance

The CI of Living Costs represents the average of four different living cost indices. The four index measurement methods used are:

- Index of Retail Prices, Statistics Canada, for October 2007 (see Chart p. 4)
- Manitoba Budget 2009 Comparison of Personal Costs and Taxes (weighted income and family categories)
- Cost of living measure based on the Human Resources and Social Development Canada's Market Based Measure for a reference family of four for 2007
- Average household expenditures as a share of average income in each province based on 2007 family spending from the Statistics Canada Family Expenditure Survey

The CI of Living Costs currently shows Manitoba to be ranked second-lowest among provinces, tied with P.E.I., with an index value of 91, well below the national benchmark index value of 100.

The Manitoba Advantage: Affordable, Competitive

To show Manitoba's cost competitiveness in more detail, two appendices are attached. The first, Interprovincial Comparison of Annual Personal Costs and Taxes (see p. 14), compares provinces' living costs and tax levels for a variety of family types. The second, Manitoba's Competitive Environment for Manufacturing, provides a detailed comparison of the taxes and costs faced by representative manufacturers in various Canadian and U.S. cities (see p. 27).

THE MANITOBA ARTS AND CULTURE ADVANTAGE

Culture and the arts are an integral part of the Manitoba way of life and the economy. Our strong cultural scene enriches our lives, and is built on our diverse ethnic fabric, world-class attractions, and the imagination and creativity of our citizens. As an economic sector,

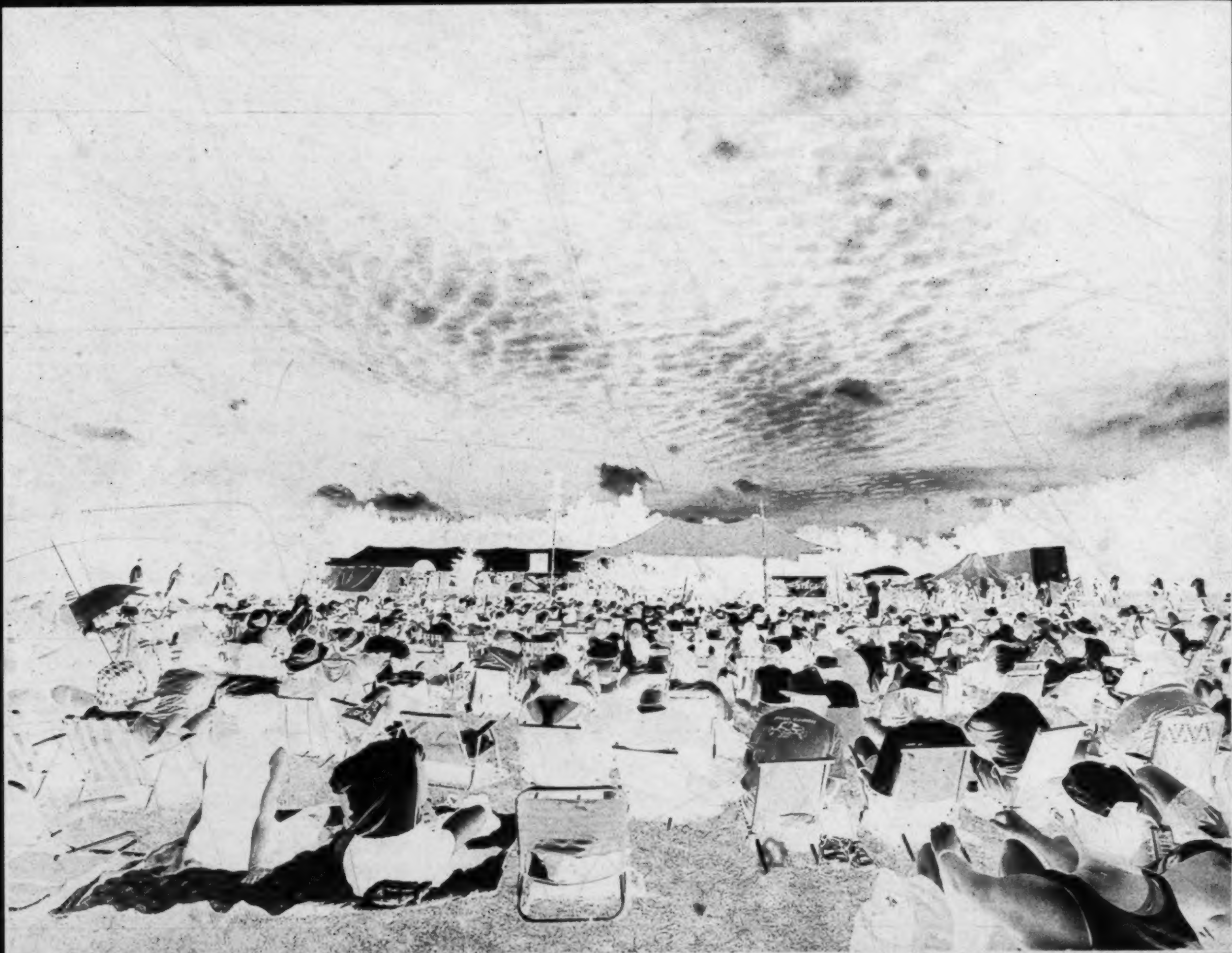
Take the Fort! Concert with Darren Lavallee and the Norman Chief Memorial Dancers (Canadian Cultural Olympiad 2009)

ulture stimulates creativity and growth. It is for all of these reasons that the Manitoba Government actively supports and promotes arts and culture in the province.

he Diversity of Manitoba Arts and Culture

Manitoba has one of the most diverse cultural environments in Canada. This diversity, ombined with our love of the arts and culture, provides the nurturing environment for rtistic and cultural expression to flourish.

he Aboriginal communities in Manitoba are among the largest and most creative in anada. One of the most vibrant Métis communities in North America makes its home ere. New initiatives by the Government of Manitoba continue to enrich our communities. he Aboriginal Cultural Initiatives Program, through its Aboriginal Arts Education omponent and the Aboriginal Music component, help to bring the creative genius of the boriginal community together to benefit all Manitobans. The Manito Ahbee Festival r All Nations has celebrated its third successful year showcasing Aboriginal music, arts,



One of North America's premier outdoor music festivals, the Winnipeg Folk Festival attracts an attendance over 40,000 every July.

culture and heritage along with presenting the Aboriginal Peoples' Choice Music Awards. The 2009 Festival and Music Awards will take place from November 4th to 8th, 2009.

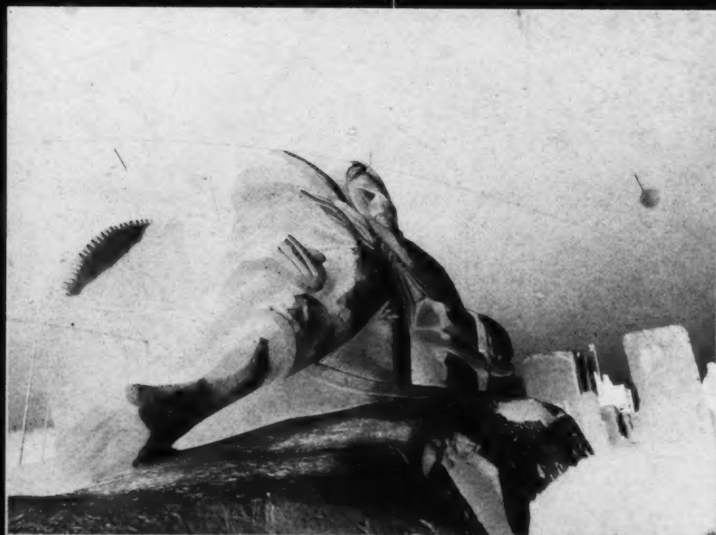
Manitoba is home to one of Canada's largest and most dynamic Francophone communities in Canada outside of Quebec and is recognized regionally and nationally for its rich pool of artistic talent and accomplishments. The French Quarter of St. Boniface is home to many arts and cultural groups, such as the Centre culturel franco-manitobain, with its resident Francophone organizations such as the Ensemble folklorique de la Rivière-Rouge, and Le 100 Nons, as well as Le Cercle Molière; Canada's oldest continuously operating professional theatre company. Productions Rivard is an innovative St. Boniface-based film company experiencing rapid growth as a multi-faceted producer and is seen as a leader in Francophone film production outside of Quebec. Independent Francophone musicians are also gaining profile outside the province, with an increased number of national and

Manitoba Film and Video Production

At 65 per cent, Manitoba now boasts the highest Film Tax Credit in Canada. The television and film production industry continues to do well despite the nation-wide slowdown in 2008/09. The slow-down was attributable to prolonged labour negotiations between U.S. producers and the Screen Actors Guild, and to the high value Canadian dollar early in 2008. Production volumes for 2007/08 reached $123.4 million on 53 projects. As of January 1, 2009, 31 films have been shot or were being shot in Manitoba representing $43.7 million. During 2008/09, three Manitoba-made television series were broadcast in primetime, and a number of new feature films and television series are in development. From 2003 through to 2008, the industry has met or exceeded $100 million in annual production activity. Through the Manitoba Film and Video Production Tax Credit, direct equity financing and other programs, the Manitoba Government provided an estimated $17.1 million in support for this industry in 2007/08. Over the five-year period from 2003 to 2008, the film and television industry has contributed $365 million to Manitoba's GDP.

international tours. Other Francophone communities throughout the province are home to numerous annual cultural events and organizations that make Manitoba a great place to live, in both official languages. Co-operation agreements between Manitoba and other Francophone provinces such as Quebec and New Brunswick provide for a broad range of exchanges and opportunities for Franco-Manitoban artists, producers, and organizations to promote the work of Manitoban artists outside of the province, to access expertise and training opportunities, and to develop new models and best practices. In 2008/09, exchanges took place with France, Quebec and New Brunswick in areas such as heritage, theatre, literature, film, sound and the visual arts.

Over a century of immigration has contributed to Manitoba being the most ethnically diverse province in Canada. Today more than 100 languages are spoken across the province as Manitobans proudly maintain the traditions of their ancestors. We celebrate the unique and vibrant blend of our many heritages in a myriad of festivals and celebrations. Manitoba continues to be a preferred destination of new immigrants, whose contributions continue to add to our diversity, enriching visitors and Manitobans alike.



The Festival du Voyageur celebrated its 40th year in 2009 with a new record estimated attendance of 105,000 guests.

Manitoba is home to the largest Icelandic settlement in the world outside Iceland, one of the largest Filipino communities in Canada, and many vibrant Ukrainian and Mennonite communities throughout the province. In 2009, Manitobans will celebrate the 100th anniversary of Chinese settlement in Winnipeg.

Manitoba's Cultural Industries Flourish

Manitoba's cultural industries continue to enjoy a high degree of profile, success and recognition on national and international stages. Miriam Toews won the 2008 Rogers Writers' Trust Fiction Prize for *The Flying Troutmans*, and David Bergen was nominated for his second Giller Prize for his novel *The Retreat*. Both led one of Manitoba's busiest publishing seasons ever and led *Quill and Quire*, Canada's national book trade magazine, to name Winnipeg the Canlit capital of Canada. *The Gargoyle*, a novel written by the first-time Manitoba author, David Anderson, was on the New York Times bestseller list for several weeks in the last half of 2008. The novel was published by The Doubleday Publishing Group.

2008/09 sales by Manitoba's fourteen book publishers increased by $200,000 to over $3.3 million. The Manitoba Book Publishing Tax Credit was announced in the 2008 Budget, with publishers' estimating an impact of approximately $500,000 supporting job creation, better wages and working conditions, and increased use of recycled paper. Key developments in Manitoba's book publishing industry in 2008 included the successful sale of Portage and Main Press, Manitoba's largest publisher, to a new Manitoba partnership ensuring the retention of publishing capacity in the province. Portage and Main Press also completed the publication of the new Grade 5 and Grade 6 social studies text for use in Manitoba schools.

Manitoba's sound recording industry continues to be one of our most dynamic cultural industries with an economic impact similar to that of the film sector. In 2008, Manitoba's audio recording industry association, Manitoba Music, conducted a new Economic Impact Analysis that attests to the continued success of this sector. In 2007, total music industry expenditures reached $127.9 million and the net positive impact on Manitoba's GDP was $55.5 million. In 2006/07, there were 180 new music releases and Manitoba artists received over 156 nominations for national and international music awards. This list includes everything from the Grammy Awards, Canadian Country Music Awards, Aboriginal Peoples Choice Music Awards, Western Canadian Music Awards (WCMA), Canadian Independent Music Awards to the Juno Awards. Ten Manitoba acts have been nominated for the 2009 Juno awards in Vancouver. This is more than double the nominations received in 2008. Following Winnipeg's successful hosting of the 2005 Juno Awards and the 2008 Canadian Country Music Awards, Brandon is proud to have been chosen to host the 2009 WCMA.

Folklorama is the largest and longest running multicultural event of its kind in the world. In 2008, the festival challenged visitors with "How Far Will You Go?" – visitors responded with 446,000 visits to 44 pavilions at the 39th annual festival. The 40th Folklorama festival is scheduled for August 2nd to 15th, 2009.

Manitoba Attractions and Festivals

Many of Canada's premier cultural attractions are found in Manitoba. The world famous Royal Winnipeg Ballet was the first dance company to be established in Canada and brings Winnipeg to the world through touring performances. The Manitoba Museum is a highlight for visitors to the province, and is one of only three Canadian attractions to achieve the Michelin Guide three-star rating. In 2007, almost 500,000 hometown tourists and travelers visited the Manitoba Museum and seven Manitoba Signature Museums that showcase our province's rich and colourful heritage. The Winnipeg Art Gallery has the world's largest collection of contemporary Inuit art, including over 10,000 sculptures, prints, paintings and textiles. The Manitoba Theatre Centre, Winnipeg Symphony Orchestra, Manitoba Opera, Costume Museum of Canada, and sites like Lower Fort Garry and The Forks, are only a small sample of the hundreds of attractions found throughout the province.

A significant new attraction, The Canadian Museum for Human Rights, is slated to begin construction in Winnipeg in 2009, and is the first national museum to be created since 1967 and the first to be located outside of the National Capital Region. This world-class facility will enhance the public's understanding of human rights and is an important example of Manitoba's vision for continuing to revitalize downtown Winnipeg.

Manitoba also features many contemporary cultural attractions such as the Plug-In Institute for Contemporary Art, the Winnipeg Film Group, the Manitoba Printmakers Association, Graffiti Gallery, and Urban Shaman, an Aboriginal artist-operated centre that presents contemporary visual art exhibitions.

People from around the world are also drawn to Winnipeg's summer festivals, such as Folklorama, one of the world's largest and longest-running multicultural festivals. Folklorama attracted almost 446,000 visits to 44 pavilions during its two-week run in 2008.

Manitoba is also home to the Hudson's Bay Company Archives, a world renowned documentary heritage collection. The HBC Archives, one of only two archival collections in Canada included by UNESCO in its Memory of the World Registry, reflects the heritage of Canada's west and north and its peoples, and contributes to understanding our land as it is today. The HBC Archives is used by researchers worldwide who have created books, films, television productions, websites and exhibitions from its documents, images and maps. Through an ongoing donation agreement with the Hudson's Bay Company, this rich collection of Canadian Heritage continues to grow and evolve.

There are also exceptional venues across the province, ranging from the newly expanded Keystone Centre and the Western Centennial Auditorium in Brandon, to Prairie Theatre Exchange, Rainbow Stage and the Manitoba Theatre for Young People. In 2004, Manitobans saw the opening of the MTS Centre, a 15,000-seat, $135 million entertainment centre and arena. According to industry surveys, the MTS Centre is the third-busiest ticket venue in Canada and among the top-thirty busiest facilities in the world.

Manitoba celebrates many world-class festivals throughout the year. In winter, the Festival du Voyageur, the largest winter festival in Western Canada, attracts thousands of visitors to Winnipeg's French quarter. The Northern Manitoba Trappers' Festival in The Pas is a celebration that brings the frontier spirit of the north to life. In Brandon, the Royal Manitoba Winter Fair attracts people from across Canada. St. Laurent hosts the Manipogo Festival, a celebration of ice fishing and of Métis culture.

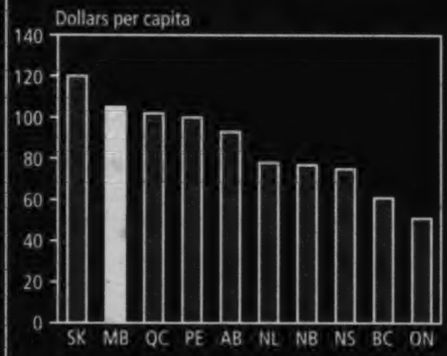
2009 is Winnipeg Chinatown's centennial year. The Winnipeg Chinese Cultural and Community Centre (WCCCC) will be hosting a series of celebrations to commemorate this milestone. In addition to several New Year celebrations hosted by the WCCCC, in May, His Honour John Harvard and Her Honour Lenore Bersheid will host a reception at Government House to honour Chinatown's 100 years in Manitoba. In the weeks following the reception, a street festival and special community-hosted reception will be held. The WCCCC will also host its biennial Golden Dragon Awards Gala on November 10th at the Winnipeg Convention Centre. This year's honourees are Dr. Lloyd Axworthy, Dr. Tse- Li Luk and Mrs. Eva Luk. To remember this historic year, a commemorative book will be commissioned and published.

People from around the world are also drawn to Winnipeg's summer festivals, such as Folklorama, one of the world's largest and longest-running multicultural festivals. Folklorama attracted almost 446,000 visits to 44 pavilions during its two-week run in 2008. The Winnipeg Fringe Festival, the second-largest festival of its kind in North America, boasted a total paid attendance of over 72,000 in the summer of 2008. The Winnipeg Folk Festival has been providing folk music lovers with great entertainment since 1974 and attracts over 45,000 people each season. The Festival also contributes more than $16 million to the provincial economy. Other important festivals include the Jazz Winnipeg Festival, Canada's National Ukrainian Festival in Dauphin and the Islendingadagurinn Festival in Gimli. Vibrant community fairs and exhibitions can be found in every corner of the province. Several festivals are also geared for young people, including Freeze Frame,

film festival for children and young people and the Winnipeg International Children's Festival, which builds on first-rate children's attractions such as the Manitoba Theatre for Young People and the Manitoba Children's Museum.

n addition, Manitoba boasts a diverse collection of film festivals that present he best in Manitoban, Canadian and international film and video. A cluster of ilm festivals take place annually each fall including The Winnipeg Aboriginal Film Festival, Wyndx, the Reel Pride! Film Festival and Cinémental, a French-language film festival. Spring and summer film festivals include the ewish Film Festival, Freeze Frame and the Gimli Film Festival.

Provincial Government Per Capita Expenditures on Culture, 2005/06



Source: Statistics Canada

rovincial Support for Arts and Culture

Culture and the arts are actively supported by the Manitoba government. Statistics Canada reports that Manitoba's per capita spending on culture was the econd-highest in Canada at $105 in 2005/06 (the latest year for which data are vailable). This is an increase of 10.3% from the previous year and is well above he national average provincial culture expenditure of $75 per person. The Province also provides substantial support to cultural organizations in Manitoba hrough tax credits on charitable contributions to these organizations.

Arts and culture play a key role in enhancing our economy and economic competitiveness. Manitoba has one of the highest per capita revenue and attendance levels for arts and culture n Canada and the sector employs over 25,000 people.

Appendix 1:
2009 INTERPROVINCIAL COMPARISON OF PERSONAL COSTS AND TAXES

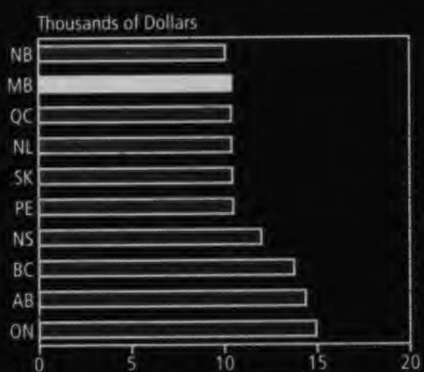
Since 1999, Manitoba's overall provincial rankings for personal costs and taxes have been among the best in Canada. Th following charts show that for 2009 Manitoba remains one of the most affordable provinces in which to live, with among th lowest total combined living costs and taxes for six representative families.

A superior quality of living with lower personal costs and taxes – that is The Manitoba Advantage.

The following charts summarize "Total Personal Costs and Taxes" from the tables in the subsequent pages.

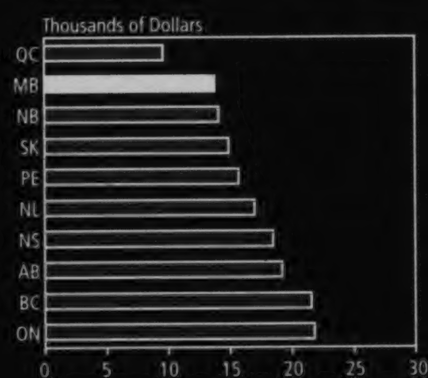
Single Person Earning $30,000

- Second-lowest combined taxes and living costs



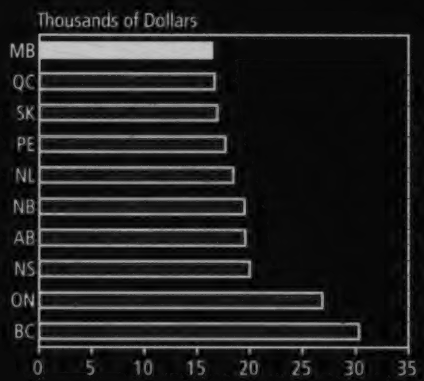
Single Parent Earning $30,000

- Second-lowest combined taxes and living costs



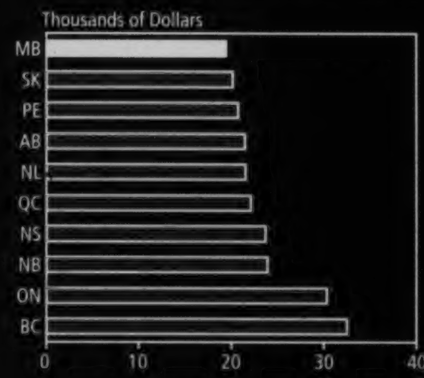
One-Earner Family of Four Earning $40,000

- Lowest combined taxes and living costs



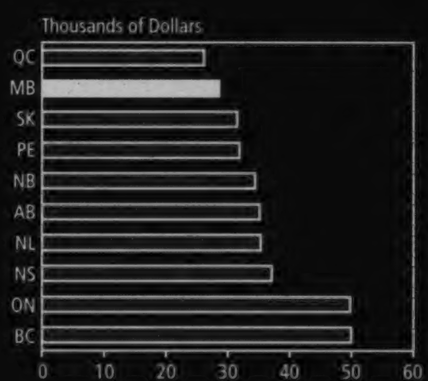
One-Earner Family of Four Earning $60,000

- Lowest combined taxes and living costs



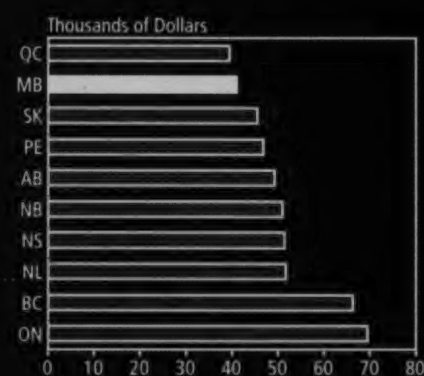
Two-Earner Family of Four Earning $60,000

- Second-lowest combined taxes and living costs



Two-Earner Family of Five Earning $75,000

- Second-lowest combined taxes and living costs



2009 Comparison of Personal Costs and Taxes

Single Person: $30,000	BC	AB	SK	MB	ON
Provincial Income Tax	876	1,139	1,240	**1,514**	1,114
Health Premiums	648	0	0	**0**	300
Subtotal PIT and Premiums	1,524	1,139	1,240	**1,514**	1,414
Retail Sales Tax	332	0	220	**287**	386
Carbon Tax Credit	(105)	0	0	**0**	0
Total Provincial Taxes, Credits and Premiums	1,751	1,139	1,460	**1,801**	1,801
Rent	10,560	11,412	7,608	**7,224**	11,124
Electricity	317	649	519	**308**	510
Public Transit	832	896	609	**779**	1,229
Telephone	312	279	258	**286**	263
Total Living Costs	12,021	13,237	8,994	**8,598**	13,126
Total Personal Costs and Taxes	13,772	14,376	10,455	**10,399**	14,927

Single Parent One Child: $30,000	BC	AB	SK	MB	ON
Provincial Income Tax	9	0	(516)	**(92)**	(150)
Health Premiums	691	0	0	**0**	252
Subtotal PIT and Premiums	700	0	(516)	**(92)**	102
Family/Employment Tax Credits	0	(669)	0	**0**	0
Child Benefits	0	0	0	**0**	(1,443)
Retail Sales Tax	432	0	286	**373**	502
Carbon Tax Credit	(210)	0	0	**0**	0
Total Provincial Taxes, Credits and Premiums	922	(669)	(230)	**281**	(839)
Rent	10,560	11,412	7,608	**7,224**	11,124
Child Care	8,616	6,624	5,532	**4,888**	9,537
Electricity	317	649	519	**308**	510
Transit	832	896	609	**779**	1,229
Telephone	312	279	258	**286**	263
Total Living Costs	20,636	19,861	14,526	**13,486**	22,663
Total Personal Costs and Taxes	21,558	19,192	14,296	**13,767**	21,824

Sums may not add due to rounding.

QC	NB	NS	PE	NL	Single Person: $30,000
1,035	1,888	1,737	2,005	1,570	Provincial Income Tax
570	0	0	0	0	Health Premiums
1,605	1,888	1,737	2,005	1,570	Subtotal PIT and Premiums
430	509	542	343	589	Retail Sales Tax
0	0	0	0	0	Carbon Tax Credit
2,034	2,397	2,278	2,348	2,159	Total Provincial Taxes, Credits and Premiums
7,128	6,216	8,196	6,456	6,696	Rent
323	510	574	748	521	Electricity
658	705	657	649	775	Public Transit
263	266	303	296	266	Telephone
8,372	7,697	9,729	8,149	8,258	Total Living Costs
10,407	10,094	12,008	10,497	10,418	Total Personal Costs and Taxes

QC	NB	NS	PE	NL	Single Parent One Child: $30,000
1,549	8	422	756	634	Provincial Income Tax
440	0	0	0	0	Health Premiums
1,989	8	422	756	634	Subtotal PIT and Premiums
(298)	0	0	0	0	Family/Employment Tax Credits
(2,823)	(116)	0	0	0	Child Benefits
559	662	704	446	766	Retail Sales Tax
0	0	0	0	0	Carbon Tax Credit
(574)	553	1,126	1,201	1,400	Total Provincial Taxes, Credits and Premiums
7,128	6,216	8,196	6,456	6,696	Rent
1,820	5,850	7,632	6,370	7,356	Child Care
323	510	574	748	521	Electricity
658	705	657	649	775	Transit
263	266	303	296	266	Telephone
10,192	13,547	17,361	14,519	15,614	Total Living Costs
9,619	14,100	18,487	15,721	17,014	Total Personal Costs and Taxes

Sums may not add due to rounding.

2009 Comparison of Personal Costs and Taxes

One-Earner Family of 4: $40,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,141	635	(84)	**2,034**	985
Health Premiums	1,296	0	0	**0**	450
Subtotal PIT and Premiums	2,437	635	(84)	**2,034**	1,435
Family/Employment Tax Credits	0	(1,277)	0	**0**	0
Child Benefits	0	0	0	**0**	(408)
Property Tax Credits	(570)	0	(163)	**(650)**	(58)
Retail Sales Tax	825	0	603	**814**	1,016
Gasoline Tax	585	180	300	**230**	294
Carbon Tax Credit	(139)	0	0	**0**	0
Total Provincial Taxes, Credits and Premiums	3,138	(462)	656	**2,428**	2,279
Mortgage Costs	19,639	14,077	10,159	**8,030**	15,786
Property Taxes	3,570	1,895	2,847	**2,623**	3,193
Home Heating	1,550	1,255	1,206	**1,462**	1,660
Electricity	571	1,169	934	**555**	918
Auto Insurance	1,565	1,311	833	**1,009**	2,756
Telephone	312	279	258	**286**	263
Total Living Costs	27,207	19,986	16,237	**13,965**	24,576
Total Personal Costs and Taxes	30,344	19,524	16,893	**16,394**	26,855

One-Earner Family of 4: $60,000	BC	AB	SK	MB	ON
Provincial Income Tax	2,733	2,600	2,802	**4,783**	3,395
Health Premiums	1,296	0	0	**0**	600
Subtotal PIT and Premiums	4,029	2,600	2,802	**4,783**	3,995
Family/Employment Tax Credits	0	(1,277)	0	**0**	0
Child Benefits	0	0	0	**0**	0
Property Tax Credits	(570)	0	(163)	**(650)**	0
Retail Sales Tax	1,230	0	960	**1,107**	1,499
Gasoline Tax	585	180	300	**230**	294
Total Provincial Taxes, Credits and Premiums	5,274	1,503	3,899	**5,470**	5,788
Mortgage Costs	19,639	14,077	10,159	**8,030**	15,786
Property Taxes	3,570	1,895	2,847	**2,623**	3,193
Home Heating	1,550	1,255	1,206	**1,462**	1,660
Electricity	571	1,169	934	**555**	918
Auto Insurance	1,565	1,311	833	**1,009**	2,756
Telephone	312	279	258	**286**	263
Total Living Costs	27,207	19,986	16,237	**13,965**	24,576
Total Personal Costs and Taxes	32,481	21,489	20,136	**19,435**	30,364

Sums may not add due to rounding.

One-Earner Family of 4: $40,000	QC	NB	NS	PE	NL
Provincial Income Tax	2,113	2,408	2,748	2,770	2,391
Health Premiums	820	0	0	0	0
Subtotal PIT and Premiums	2,934	2,408	2,748	2,770	2,391
Family/Employment Tax Credits	(467)	0	0	0	0
Child Benefits	(3,136)	0	0	0	0
Property Tax Credits	(307)	0	0	0	0
Retail Sales Tax	1,211	1,317	1,463	930	1,637
Gasoline Tax	304	214	310	316	330
Carbon Tax Credit	0	0	0	0	0
Total Provincial Taxes, Credits and Premiums	538	3,940	4,521	4,016	4,358
Mortgage Costs	9,078	8,340	8,893	5,818	6,926
Property Taxes	3,144	2,276	2,259	2,339	1,676
Home Heating	2,010	2,493	1,895	2,940	2,832
Electricity	582	918	1,033	1,346	938
Auto Insurance	1,016	1,211	1,095	890	1,415
Telephone	263	266	303	296	266
Total Living Costs	16,093	15,504	15,478	13,629	14,053
Total Personal Costs and Taxes	16,631	19,444	19,999	17,645	18,411

One-Earner Family of 4: $60,000	QC	NB	NS	PE	NL
Provincial Income Tax	5,402	5,319	5,721	5,495	4,924
Health Premiums	1,140	0	0	0	0
Subtotal PIT and Premiums	6,542	5,319	5,721	5,495	4,924
Family/Employment Tax Credits	0	0	0	0	0
Child Benefits	(2,513)	0	0	0	0
Property Tax Credits	0	0	0	0	0
Retail Sales Tax	1,653	2,890	1,831	1,301	2,107
Gasoline Tax	304	214	310	316	330
Total Provincial Taxes, Credits and Premiums	5,986	8,423	7,862	7,112	7,361
Mortgage Costs	9,078	8,340	8,893	5,818	6,926
Property Taxes	3,144	2,276	2,259	2,339	1,676
Home Heating	2,010	2,493	2,245	2,940	2,932
Electricity	582	918	1,033	1,346	938
Auto Insurance	1,016	1,211	1,095	890	1,415
Telephone	263	266	303	296	266
Total Living Costs	16,093	15,504	15,828	13,629	14,153
Total Personal Costs and Taxes	22,079	23,927	23,690	20,741	21,514

Sums may not add due to rounding.

2009 Comparison of Personal Costs and Taxes

Two-Earner Family of 4: $60,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,242	1,684	1,239	**3,100**	1,253
Health Premiums	1,296	0	0	**0**	300
Subtotal PIT and Premiums	2,538	1,684	1,239	**3,100**	1,553
Family/Employment Tax Credits	0	(1,277)	0	**0**	0
Child Benefits	0	0	0	**0**	0
Property Tax Credits	(570)	0	(163)	**(650)**	0
Retail Sales Tax	1,230	0	960	**1,107**	1,499
Gasoline Tax	878	270	450	**345**	441
Carbon Tax Credit	(19)				
Total Provincial Taxes, Credits and Premiums	4,057	677	2,486	**3,901**	3,493
Mortgage Costs	19,639	14,077	10,159	**8,030**	15,786
Property Taxes	3,570	1,895	2,847	**2,623**	3,193
Child Care	17,231	13,248	11,064	**9,776**	19,074
Home Heating	1,550	1,255	1,206	**1,462**	1,660
Electricity	571	1,169	934	**555**	918
Auto Insurance	3,012	2,549	1,615	**1,949**	5,363
Telephone	312	279	258	**286**	263
Total Living Costs	45,885	34,472	28,083	**24,681**	46,257
Total Personal Costs and Taxes	49,942	35,149	30,569	**28,583**	49,750

Two-Earner Family of 5: $75,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,907	2,544	2,082	**4,206**	2,091
Health Premiums	1,296	0	0	**0**	450
Subtotal PIT and Premiums	3,203	2,544	2,082	**4,206**	2,541
Family/Employment Tax Credits	0	(1,642)	0	**0**	0
Child Benefits	0	0	0	**0**	(213)
Property Tax Credits	(570)	0	(234)	**(650)**	0
Retail Sales Tax	1,553	0	1,113	**1,498**	1,850
Gasoline Tax	878	270	450	**345**	441
Total Provincial Taxes, Credits and Premiums	5,063	1,172	3,411	**5,399**	4,619
Mortgage Costs	24,345	18,876	15,276	**11,858**	21,863
Property Taxes	4,289	2,541	4,081	**3,564**	4,422
Child Care	25,847	19,872	16,596	**14,664**	28,611
Home Heating	2,583	2,092	2,010	**2,437**	2,767
Electricity	952	1,948	1,557	**925**	1,530
Auto Insurance	3,012	2,549	1,615	**1,949**	5,363
Telephone	312	279	258	**286**	263
Total Living Costs	61,340	48,157	41,393	**35,683**	64,819
Total Personal Costs and Taxes	66,403	49,329	44,804	**41,082**	69,438

Sums may not add due to rounding.

QC	NB	NS	PE	NL	Two-Earner Family of 4: $60,000
4,783	2,893	2,669	2,923	2,461	Provincial Income Tax
1,140	0	0	0	0	Health Premiums
5,923	2,893	2,669	2,923	2,461	Subtotal PIT and Premiums
0	0	0	0	0	Family/Employment Tax Credits
(2,553)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
1,653	2,890	1,831	1,301	2,107	Retail Sales Tax
456	321	465	474	495	Gasoline Tax
					Carbon Tax Credit
5,479	6,104	4,966	4,697	5,064	Total Provincial Taxes, Credits and Premiums
9,078	8,340	8,893	5,818	6,926	Mortgage Costs
3,144	2,276	2,259	2,339	1,676	Property Taxes
3,640	11,700	15,264	12,740	14,712	Child Care
2,010	2,493	2,245	2,940	2,932	Home Heating
582	918	1,033	1,346	938	Electricity
1,944	2,329	2,136	1,700	2,779	Auto Insurance
263	266	303	296	266	Telephone
20,661	28,322	32,133	27,179	30,229	Total Living Costs
26,140	34,426	37,099	31,877	35,292	Total Personal Costs and Taxes

QC	NB	NS	PE	NL	Two-Earner Family of 5: $75,000
7,271	4,236	3,930	4,035	3,495	Provincial Income Tax
1,140	0	0	0	0	Health Premiums
8,411	4,236	3,930	4,035	3,495	Subtotal PIT and Premiums
0	0	0	0	0	Family/Employment Tax Credits
(2,998)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
2,100	2,890	2,611	1,593	2,619	Retail Sales Tax
456	321	465	474	495	Gasoline Tax
7,968	7,447	7,007	6,102	6,609	Total Provincial Taxes, Credits and Premiums
14,452	13,977	10,931	8,893	10,894	Mortgage Costs
5,005	3,814	2,777	3,576	2,636	Property Taxes
5,460	17,550	22,896	19,110	22,068	Child Care
3,350	4,155	3,742	4,900	4,887	Home Heating
970	1,530	1,722	2,243	1,563	Electricity
1,944	2,329	2,136	1,700	2,779	Auto Insurance
263	266	303	296	266	Telephone
31,444	43,621	44,506	40,718	45,093	Total Living Costs
39,412	51,068	51,513	46,821	51,701	Total Personal Costs and Taxes

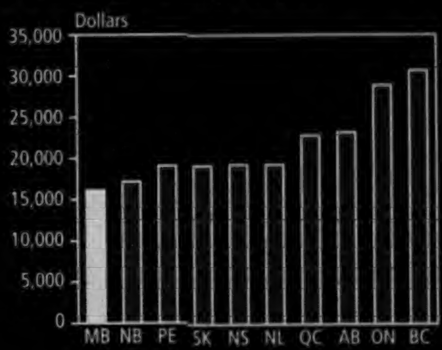
Sums may not add due to rounding.

2009 Comparison of Personal Costs and Taxes Net of Graduate Credits and Tuition Rebates

Single Person: $50,000	BC	AB	SK	MB	ON
Provincial Income Tax	2,289	3,037	3,925	**4,584**	2,773
Graduate Tuition/Credit Rebates	0	0	(1,500)	**(2,500)**	0
Health Premiums	648	0	0	**0**	600
Subtotal PIT, Credit and Premiums	2,937	3,037	2,425	**2,084**	3,373
Property Tax Credits	(570)	0	(163)	**(650)**	0
Retail Sales Tax	514	0	391	**480**	629
Gasoline Tax	585	180	300	**230**	294
Total Provincial Taxes, Credits and Premiums	3,465	3,217	2,952	**2,144**	4,296
Mortgage Costs	19,639	14,077	10,159	**8,030**	15,786
Property Taxes	3,570	1,895	2,847	**2,623**	3,193
Home Heating	1,550	1,255	1,206	**1,462**	1,660
Electricity	571	1,169	934	**555**	918
Auto Insurance	1,565	1,311	833	**1,009**	2,756
Telephone	312	279	258	**286**	263
Total Living Costs	27,207	19,986	16,237	**13,965**	24,576
Total Personal Costs and Taxes	30,672	23,203	19,190	**16,110**	28,872

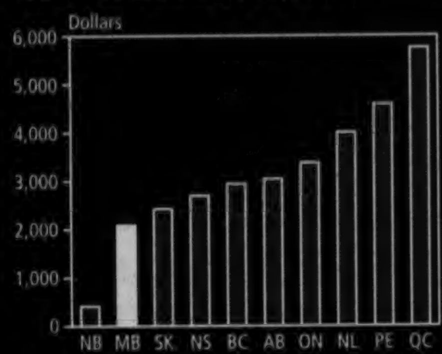
Sums may not add due to rounding.

Personal Costs and Taxes - Graduate Earning $50,000



Source: Manitoba Finance

Net Taxes - Graduate Earning $50,000



Source: Manitoba Finance

QC	NB	NS	PE	NL	Single Person: $50,000
5,173	4,413	4,700	4,586	3,998	Provincial Income Tax
0	(4,000)	(2,000)	0	0	Graduate Tuition/Credit Rebates
570	0	0	0	0	Health Premiums
5,743	413	2,700	4,586	3,998	Subtotal PIT, Credit and Premiums
(7)	0	0	0	0	Property Tax Credits
716	1,052	824	558	936	Retail Sales Tax
304	214	310	316	330	Gasoline Tax
6,756	1,679	3,834	5,460	5,264	Total Provincial Taxes, Credits and Premiums
9,078	8,340	8,893	5,818	6,926	Mortgage Costs
3,144	2,276	2,259	2,339	1,676	Property Taxes
2,010	2,493	1,895	2,940	2,832	Home Heating
582	918	1,033	1,346	938	Electricity
1,016	1,211	1,095	890	1,415	Auto Insurance
263	266	303	296	266	Telephone
16,093	15,504	15,478	13,629	14,053	Total Living Costs
22,849	17,183	19,312	19,089	19,317	Total Personal Costs and Taxes

Sums may not add due to rounding.

NOTES

Provincial taxes[1], credits and premiums are based on information available on March 20, 2009, for the following major urba centres in each province: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal, Saint John, Halifax, Charlottetown ar St. John's. Results are not comparable to previous years due to changes in representative cities and data availability at the time publication.

Auto Insurance coverage includes $2 million Third Party Liability, a $500 All Perils Deductible, accident benefit and $2 millic Standard Policy Form #44 family protection coverage for those jurisdictions without no-fault injury coverage, and SAAQ (I Societé de l'assurance automobile du Québec) injury protection in Montréal. The driver is married, age 35, has been accident- ar conviction-free for 15 or more years; the auto is driven to work (a distance of 15 km one way was used when required by insure Rates were provided by The Insurance Corporation of British Columbia (BC), SGI Canada (SK), and Manitoba Public Insuran (MB) for those provinces. Rates from other urban centres are the average of the quotes from 10 private insurers available those provinces. Discounts, if available, for second or multiple vehicles are not included in the auto insurance calculations. Au insurance for the 2003 Chevrolet Malibu and the 2000 Dodge Caravan are used in these examples, two of the more comm vehicles driven in Manitoba. The single-earner families of four at $40,000 and $60,000 insure the Malibu, while the two-earn family of four at $60,000 and the two-earner family of five at $75,000 insure both the Malibu and the Caravan.

Child Care is based on average fees for full-time preschool care. Average fees were based on *Early Childhood Care and Educati in Canada: Provinces and Territories*, published by Childcare Resource and Research Unit, and were updated by Manitoba Fam Services and Housing.

Electricity charges are based on an annual consumption of 8,100 kWh for a detached bungalow for families with $40,000 a $60,000 of income, as per the Canadian Intercity Comparison of Taxes, Utilities and Housing (Saskatoon Regional Econon Development Authority Inc.) updated for 2008 by the electricity component of each provinces' Consumer Price Index. Annu consumption is 4,500 kWh for the single person and the single parent, 13,500 kWh for the family at $75,000, and the cost l been proportionally adjusted using 5,100 kWh as the base charge. Rates do not include municipal taxes or charges.

Gasoline Tax is based on annual consumption of 2,000 litres for the single-vehicle families and 3,000 litres for the two-vehi families; this includes the 6 cents and 1.5 cents per litre levies applied by Vancouver and Montréal, respectively. Harmonized sa tax has been applied to the wholesale price in New Brunswick, Nova Scotia and Newfoundland and Labrador and provincial sa tax has been applied to the wholesale price in Prince Edward Island. The BC Carbon Tax, which came into effect July 1, 20 has been included in the amount for Vancouver.

Health Premiums are annual premiums for hospital insurance and medical services in provinces which levy them. Queb Prescription Drug Plan fee is included.

Home Heating charges are based on an annual consumption of 3,200 cubic metres for a detached bungalow for families w $40,000 and $60,000 of income, as per the Canadian Intercity Comparison of Taxes, Utilities and Housing (Saskatoon Regio Economic Development Authority Inc.) updated for 2008 by the home heating component of each provinces' Consumer Pr Index. Annual consumption for the detached bungalow has been proportionally adjusted for a family with $75,000 of incom reflect the consumption for an executive detached two storey. For the Atlantic provinces, the figures represent the BTU equiva consumption of fuel oil. Refundable home-heating benefits have been deducted from home-heating costs in Alberta, Nova Sc and Newfoundland and Labrador.

Mortgage Costs are based on one-half the average home prices for a detached bungalow for families with $40,000 and $60,000 of income, and for the graduate with $50,000, and on an executive detached two storey for a family with $75,000 of income, per the Royal LePage Survey of Canadian House Prices, Fourth Quarter 2008, assuming a 25-year term, amortized at a five-year interest rate of 5.62% (average of 6 major banks at March 20, 2009).

Net Child Benefits represent provincial programs comparable to the Canada Child Tax Benefit for families with children. Provincial child benefit measures are available in British Columbia (BC Family Bonus and the BC Earned Income Benefit), Alberta (Alberta Family Employment Tax Credit), Ontario (Ontario Child Care Supplement for Working Families and the Ontario Child Benefit), Quebec (Child Assistance Payments), New Brunswick (New Brunswick Child Tax Benefit and the NB Working Income Supplement), Nova Scotia (NS Child Benefit), and Newfoundland and Labrador (NL Child Benefit).

Property Taxes are based on the assessed values for a detached bungalow for families with $40,000 and $60,000 of income, as per the 2007 Residential Property Taxes and Utility Charges Survey (City of Edmonton) updated for 2008 by the property tax component of each provinces' Consumer Price Index. Property taxes for the detached bungalow have been proportionally adjusted for a family with $75,000 of income to reflect the taxes paid for an executive detached two storey.

Provincial Income Tax is calculated for a single renter with $30,000 earned income, a single parent with one preschool child who rents and has $30,000 in earned income[2], and three family profiles with $40,000, $60,000 and $75,000 of earned income[2], respectively. Families include one income earner, a spouse and two preschool dependent children; two income earners and two preschool children; or two income earners and three preschool children. For two-earner families, one spouse is assumed to earn 60% of the family income while the other spouse earns 40%. Personal non-refundable credits include the CPP/QPP and EI contribution credits. For the single parent, full child care costs for each province have been deducted from income. For two-earner families, eligible child-care costs have been deducted from the income of the spouse with the lower income. Gross Quebec personal income tax has been reduced by the 16.5% abatement from federal income tax. Refundable sales tax credits and provincial tax reductions and rebates have been deducted from income tax payable. Property tax credits for renters are included in income tax, but property tax credits for homeowners are shown separately.

Rent is from Canada Mortgage and Housing Corporation's *Rental Market Survey, October 2008*, and is based on the average one-bedroom apartment rent for each urban centre.

Retail Sales Tax is based upon an average expenditure basket at the selected gross income levels from the *2007 Survey of Household Spending* (Statistics Canada), inflated to 2008 values using each provinces' Consumer Price Index.

Transit Fares are based on adult monthly pass rates in effect in February 2009. The full impact of the federal non-refundable public transit tax credit has reduced the cost of transit fees shown for the single individual and single parent with one child examples.

Telephone charges are the basic service rates for individual residences.

[1] Tables reflect 2009 budget changes for British Columbia, Saskatchewan, Quebec, New Brunswick and Canada.
[2] Earned income is net of the Universal Child Care benefit. However, the Universal Child Care benefit has been used in the calculation of taxable income.

Appendix 2:
MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

Manufacturing is the largest economic sector in the province, accounting for approximately 12% of provincial GDP and about two-thirds of total foreign merchandise exports. In 2008, manufacturing firms employed 69,000 people in Manitoba. Jobs in the manufacturing sector equal 11.3% of Manitoba's total employment, and only in Quebec and Ontario do manufacturing jobs account for a greater proportion of workers (about 14%). Many more Manitobans work in other industries that directly or indirectly depend on manufacturing activities.

Manitoba's manufacturing sales grew 1.8% in 2008, better than the national decrease of 0.5%. Manitoba's manufacturing sales have outpaced the national increase for eight consecutive years.

Manitoba's manufacturing sector is highly diversified, producing a broad range of industrial and consumer goods. Major manufactured goods include urban and intercity buses, aerospace equipment, primary metals, fabricated metals, industrial chemicals, machinery, pharmaceuticals, processed meats, processed vegetables and grain products, furniture, plastic products and manufactured windows. Manitoba is North America's largest manufacturer of buses. Canada's largest furniture factory, owned by Palliser Furniture Ltd., is located in Manitoba. Maple Leaf Foods operates one of the world's largest and most technologically advanced meat processing plants in Brandon, Manitoba's second-largest city.

Manitoba's competitive business environment continues to attract manufacturing investment. Manufacturers are taking advantage of the province's central location and its excellent transportation links to the rest of North America. Industrial and commercial land costs are lower than in many other major metropolitan centres, and Manitoba's electricity costs are among the lowest in the world. Manitoba has a skilled and well-educated work force ready to take advantage of the opportunities provided by the province's growing manufacturing sector.

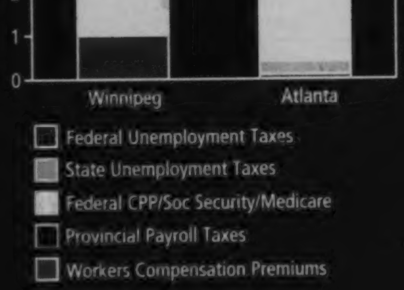
Manitoba Finance's competitiveness model is used to compare the tax structure and cost environment for representative smaller and larger manufacturing firms relative to several other North American cities.

The model simulates start-up, operating, financial and taxation costs over a period of 20 years. It incorporates future changes in taxes that have been announced by the federal and provincial or state governments. Changes announced by Manitoba that are subject to balanced budget requirements are not included. The representative firms' profiles have been updated using the most recent data available from Statistics Canada, local economic development boards and other public information sources.

Payroll-related levies

U.S. employers pay federal and state unemployment taxes, social security tax and medicare tax and are also required to provide workers' compensation coverage. Canadian employers do not pay provincial employment or federal medicare taxes, though some provinces have payroll taxes. For example, at the same wage level, a firm in Atlanta will have higher payroll-related taxes and levies than in Winnipeg.

Payroll-Related Taxes and Levies per Employee Larger Manufacturing Firm Winnipeg and Atlanta



Interjurisdiction Competitiveness

This year's model adds two new cities – Jackson, Mississippi and Atlanta, Georgia – to the comparison. A Canada-U.S. exchang rate of C$1.22 is used to convert U.S. data to Canadian dollars.

The following indicators are used to assess cost and tax competitiveness for both a smaller and a larger manufacturing firm ove a 20-year period:

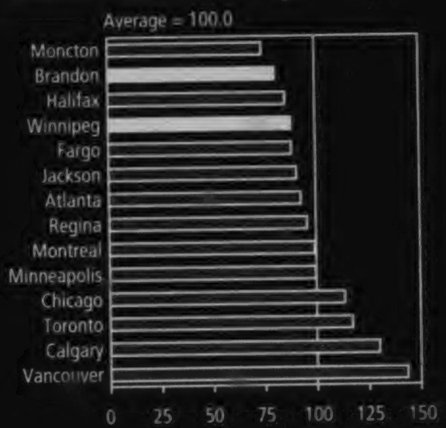
- net cost of investment, or start-up costs (including applicable taxes)
- pre-tax net income
- effective tax rates
- internal rates of return

The model assumes actual costs for each city and calculates net revenue and cash flow, including start-up costs, based on th operating costs in each location. The results for each city are compared to the overall average of all cities for each of the indicato and presented in the charts that follow.

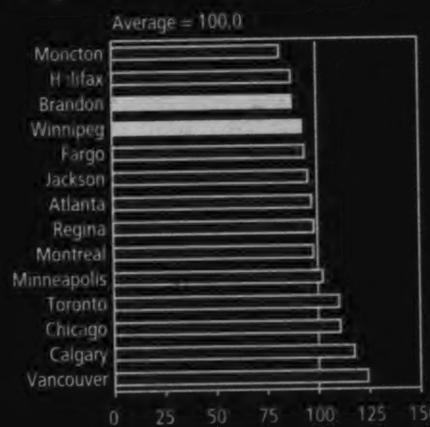
Net Cost of Investment

The costs of starting a manufacturing plant (land, buildings, and machinery and equipment) are lower in Manitoba than th average for all cities. Taxes have a minimal impact on net start-up costs. Investment tax credits on capital asset purchases redu the net cost of investment. The net cost of investment for larger metropolitan centres tends to be higher than the overall averag primarily because of the cost of land and construction labour costs.

Net Cost of Investment
Smaller Manufacturing Firm



Net Cost of Investment
Larger Manufacturing Firm



Pre-Tax Net Income

Pre-tax net income is used to compare Manitoba's cost competitiveness to the other locations in the model. It is calculated by deducting production material costs and location-sensitive operating costs from fixed annual sales figures. Annual sales are uniform for all locations and are ramped up through the first four years then fixed across the cities at $4 million for the smaller firm and $45 million for the larger firm for years five to twenty. Annual production material costs are equal to 46% of sales in a given year.

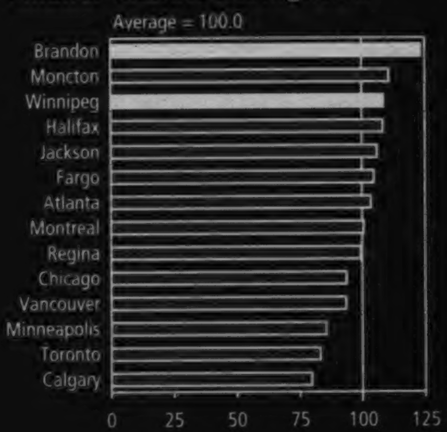
The following location-sensitive costs are also deducted from annual sales:

- average manufacturing wages
- local utility costs for electricity and basic business telephone lines
- interest charges on debt used to finance construction of the manufacturing plants
- depreciation of capital assets: building costs (which vary by city based on local construction wages) and machinery and equipment (which are assumed to be the same across all cities)

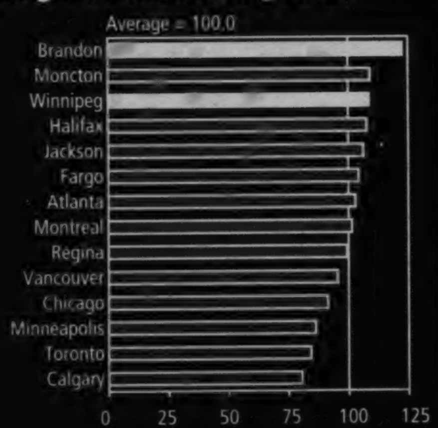
It is common practice to assume in provinces that impose health care premiums that the employer will pay those premiums on behalf of their employees. Previous editions of the manufacturing model followed this practice but that is no longer the case in the 2009 model. The model continues to include as a business cost US health insurance coverage. In the 2009 model, US firms pay the equivalent of $3,100 per employee, based on a single person's coverage.

Brandon yields the highest pre-tax net income for both the smaller and larger manufacturing firms, while Winnipeg has the third-highest pre-tax net income for both model firms. A talented, well-educated and productive labour force, low utility costs and lower than average start-up costs contribute to the cost advantages of operating a manufacturing plant in Manitoba.

Pre-Tax Net Income Smaller Manufacturing Firm



Pre-Tax Net Income Larger Manufacturing Firm



Effective Tax Rates

Effective tax rates are generated by computing gross taxes as a proportion of pre-tax net income over the 20-year period. The following operating taxes are included in the analysis:

- corporation income taxes
- local property and business taxes
- corporation capital and U.S. franchise taxes
- payroll taxes
- workers' compensation premiums
- statutory pension and unemployment insurance premiums

The following tax expenditures that benefit the manufacturing sector are also taken into account:

- investment tax credits
- tax holidays
- accelerated capital cost allowances
- preferential tax rates

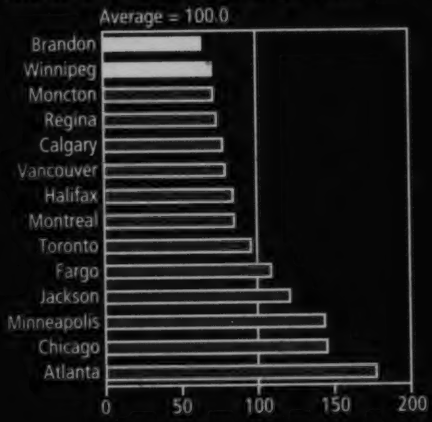
Not included in the model are enterprise zones, grants, and other forms of governmental and third-party financial assistance programs that are subject to an approval process.

In previous editions of the model, annual operating taxes included employer-paid health insurance premiums in the U.S. and, as is common practice, assumed that employers in Vancouver and Calgary paid their employees' provincial health care premiums. Alberta has eliminated provincial health care premiums, and beginning this year the model does not treat health care premiums paid by employers as a tax. As indicated in the Pre-Tax Net Income section, private health insurance coverage is still captured as a business cost for US employers, but not in Vancouver (health care premiums assessed in British Columbia are captured in Appendix 1: 2009 Interprovincial Comparison of Personal Costs and Taxes).

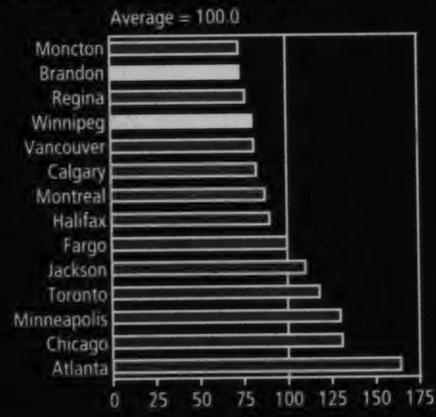
For both the smaller and larger manufacturing firms, Winnipeg's effective tax rates are lower than the overall average and Brandon has the lowest effective tax rate for a smaller firm. This is consistent with the calculation of marginal effective tax rates (METRs) by the C.D. Howe Institute[1] and Finance Canada, which both show that Manitoba has the lowest METR for manufacturing among provinces west of New Brunswick. The METR is lower in the Atlantic Provinces because of the federal Atlantic investment tax credit, which is available only in that region (and the Gaspé). Though Manitoba has a lower METR than Saskatchewan, the effective tax rate shown for a larger firm in Winnipeg is higher than Regina because effective tax rates in Manitoba's manufacturing model capture more taxes (payroll, local and business taxes) as well as local business cost differentials (like local wages and land costs), unlike the METR model.

1 "Business Tax Reform: More Progress Needed — Supplementary Information," by Duanjie Chen and Jack M. Mintz. See http://www.cdhowe.org/pdf/ebrief_31.pdf.

Effective Tax Rates Smaller Manufacturing Firm



Effective Tax Rates Larger Manufacturing Firm

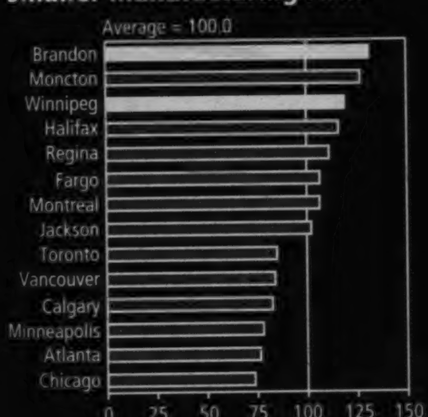


Overall Competitiveness

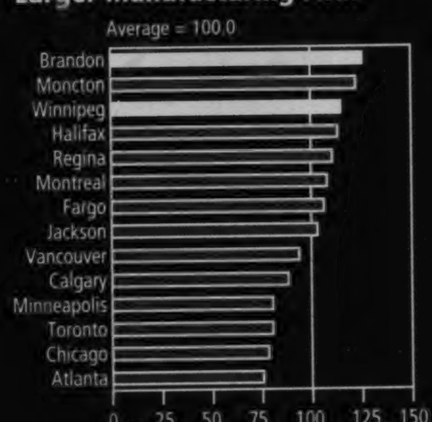
Overall competitiveness is compared by calculating internal rates of return. The internal rate of return is commonly used for business investment and location decision making. The model calculates the internal rate of return for each city using start-up costs and cash flow over the 20-year period, specific to a smaller and a larger manufacturing firm and discounted using commercial interest rates. The following charts illustrate the combined effect of taxes and costs on the internal rates of return for the representative smaller and larger manufacturing corporations in the selected jurisdictions.

The internal rates of return for both Winnipeg and Brandon are above the overall average of the cities included in the study. Brandon has the highest internal rate of return and Winnipeg has the third-highest internal rate of return for both the smaller and larger manufacturing firms.

Internal Rates of Return Smaller Manufacturing Firm

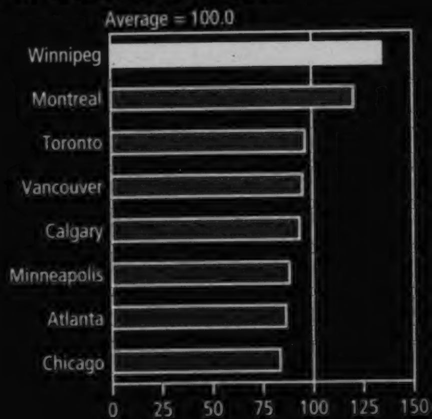


Internal Rates of Return Larger Manufacturing Firm

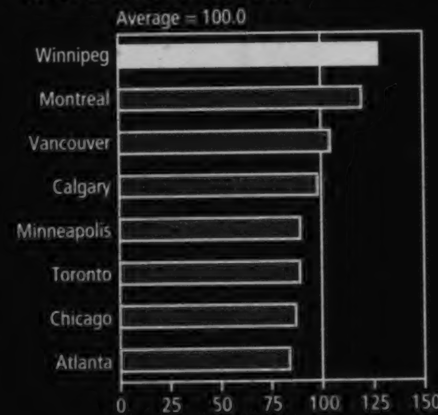


Among cities with populations over 500,000, Winnipeg has the highest internal rate of return for both smaller and larger manufacturing firms.

Internal Rates of Return Smaller Manufacturing Firm in Cities over 500,000



Internal Rates of Return Larger Manufacturing Firm in Cities over 500,000



CONCLUSION

Manitoba continues to maintain a highly competitive overall business cost environment for both smaller and larger firms engaged in manufacturing and processing.

Budget Paper F

IMPROVED INFRASTRUCTURE AND FISCALLY SOUND ECONOMIC STIMULUS

Manitoba

IMPROVED INFRASTRUCTURE AND FISCALLY SOUND ECONOMIC STIMULUS

Contents

OVERVIEW

Over the past ten years, Manitobans have seen the benefits of infrastructure investments necessary to deliver education, health and social services as well as those investments intended to facilitate economic growth such as flood disaster protection, clean and low-cost hydro generation and transportation links to markets.

Capital investments create jobs, promote economic growth and recovery. As announced in the 2008 Throne Speech, the Government is moving ahead with its four-year, $4.7 billion capital investment plan. This plan will fund key infrastructure projects in order to provide an important stimulus to the provincial economy and prepare the province for a prosperous future as an international gateway to North America.

It is estimated by the Manitoba Bureau of Statistics that, over four years, Manitoba's infrastructure renewal will create approximately 40,000 jobs directly and 34,000 more indirectly.

While advancing investments now to stimulate the economy is vital, and improving infrastructure is the end goal, it is important to note that the capital investments are being made within the framework of balanced budgets and sustainable net debt-to-GDP levels. In fact, the percentage of net debt-to-GDP has been reduced by a quarter over the last ten years (see Chart 1).

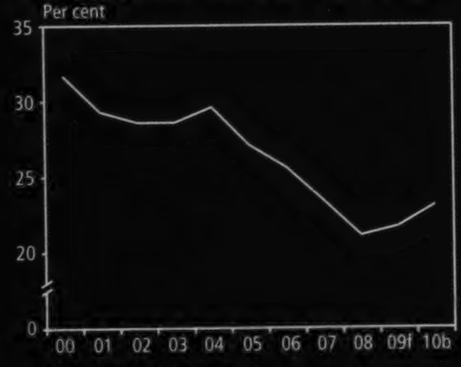
Economists and other experts such as Mark Zandi, Chief Economist of Moody's Economy.com, have noted that infrastructure investment, more than tax incentives, is a particularly effective economic stimulus as long as projects are ready to go. Zandi notes that in the U.S. experience, for every $1 spent on infrastructure such as roads and schools, it could stimulate $1.59 in GDP growth and improve the nation's infrastructure. This contrasts Zandi's finding that for every $1 spent on maintaining the lower capital gains tax, only 37 cents of GDP would be gained. Similar findings were made with respect to other tax measure calculations.[1]

What is effective, is putting money in the hands of consumers through wages. According to economists, incremental infrastructure investments that create jobs accomplishes this and puts in place the roads and highways, buildings, and waste water systems that are necessary to support the economic growth of tomorrow.

In February 2009, Moody's acknowledged that all Canadian provinces will likely experience a brief increase in the net debt-to-GDP ratios in the short term, and given the investment on stimulus infrastructure and tightening of revenues, Moody's expects that this will not affect provincial credit ratings.

[1] Source: Mark Zandi, www.economy.com, January 22, 2008

Chart 1
Summary Net Debt as a % of GDP

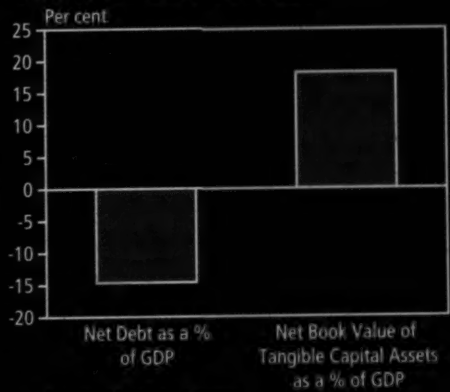


f - Forecast b - Budget
Note: Dates are for the fiscal year ending March 31
Source: Manitoba Finance

> "The point of fiscal stimulus … is to move the economy to a trajectory where private risk taking can once again flourish."
>
> TD Economics,
> Special Report, February 19, 2009

Chart 2

Net Debt and Tangible Capital Assets as a Percentage of GDP from 2004/05 to 2008/09



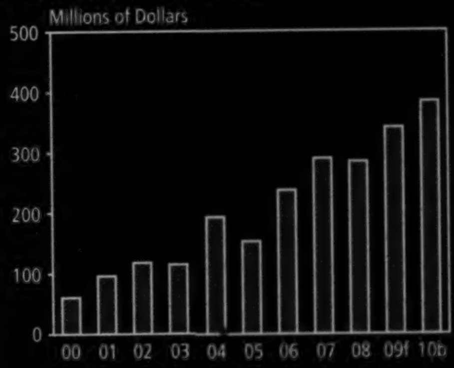
Source: Manitoba Finance

Note 1: Data prior to 2005 is not included since the Province began capitalizing infrastructure as part of tangible capital assets effective April 1, 2004.

Note 2: Public school division assets have been removed for comparison purposes.

Chart 3

Annual Amortization



f - Forecast b - Budget

Note: Dates are for the fiscal year ending March 31

Source: Manitoba Finance

Manitoba's ability to move forward and even accelerate its already strong infrastructure plan is vital to its effectiveness as a stimulus. Economists generally agree that in order to be effective as a stimulus, government infrastructure projects must be ready to start work almost immediately. Manitoba's long-term planning has ensured that many of the projects to support the infrastructure stimulus plan are ready to begin.

FISCAL IMPACT OF INVESTMENT

The Provincial Government invests in capital infrastructure in order to improve, upgrade and replace infrastructure that supports social and economic programs. Manitobans, communities and businesses all benefit from long-term improvements such as roads and highways, the floodway, health facilities, schools, public buildings and parks.

These investments improve services across Manitoba and lay the foundations for future business competitiveness at a time when borrowing costs are low and provincial debt as a percentage of GDP is almost one-third what it was ten years ago.

Borrowing activities represent a significant source of financing for Provincial capital infrastructure projects, and while there has been an impact on Provincial debt, it should be considered in the context of the increasing asset base the Province is acquiring. As illustrated in Chart 2, Manitoba's investment in tangible capital assets as a percentage of GDP has increased by 18.1% since 2004/05.

Asset costs are amortized over a set period that represents the useful life of an asset as required by Generally Accepted Accounting Principles. This accounting practice allows for a reasonable matching of costs to service provided by the asset over each year of usage. As shown in Chart 3, since 1999 amortization has increased annually, reflecting the Province's commitment to capital asset and infrastructure investment.

Manitoba's commitment to moving ahead with infrastructure investments has increased the value of its tangible capital assets. In fact, the accumulation of tangible capital assets has significantly outpaced their depreciation over the last ten years. Manitoba's ability to finance this stimulus is demonstrated through balanced budgets that incorporate annual amortization expense offset by general revenue. This required annual expense spreads the financing over a useful life within established accounting policy to ensure that Manitoba's assets and related debt are planned and retired based on operating budget priorities for asset renewal.

ECONOMIC IMPACT OF INVESTMENT

While the long-term benefits of infrastructure investment are vital to the health of the Provincial economy, the short term benefits are immediate job creation and retention. Because of Manitoba's prudent approach to planning capital project investments over time, the Province has been able to steadily and sustainably increase its capital investment. This year the Province will continue momentum to increase capital investment, create jobs, and develop training and re-training opportunities for workers who need support through tough times, and thereby enhancing the capacity of Manitoba's workforce.

In addition to infrastructure investment, the Government is focussed on providing employment opportunities and programs across the province for individuals who have experienced higher rates of unemployment in the past, including the Manitoba Floodway Authority's Aboriginal Set-Aside Initiative and the Apprenticeship Program.

The Manitoba Floodway Authority established an Employment Equity Strategy to encourage the participation of designated employment equity groups to work on the Red River Floodway Expansion Project. An important objective of the strategy is to increase the pool of skilled equity group members available to work on the floodway and other future construction projects. A key component of this strategy focusses on creating opportunities for Aboriginal people and for Aboriginal businesses through the establishment of an Aboriginal Set-Aside Initiative.

To date, 25 construction tenders worth approximately $43 million, have been awarded on the Aboriginal Set-Aside Initiative. It is estimated that approximately 500 people have worked on the Set-Aside and of those individuals approximately 40% are self-declared employment equity workers.

This year, the Manitoba Floodway Authority will take on the additional role of developing a partnership with East Side of Lake Winnipeg communities for the construction of an all-weather road. The approach will build on the floodway project's successful Aboriginal Set-Aside Initiative, and will ensure that economic benefits from the road construction, and the access it provides, are shared by local residents.

Manitoba's Apprenticeship Program has grown significantly over the last ten years, with the number of registered apprentices up by more than 70%. Apprentices are largely comprised of novice tradespeople who will contribute to future capital investment.

"Some provinces with balanced budgets could see increased debt burdens if the growth of infrastructure investments outpaces revenue and nominal GDP growth."

Moody's Investors Service,
Special Comment, February 2009

DEFINITIONS

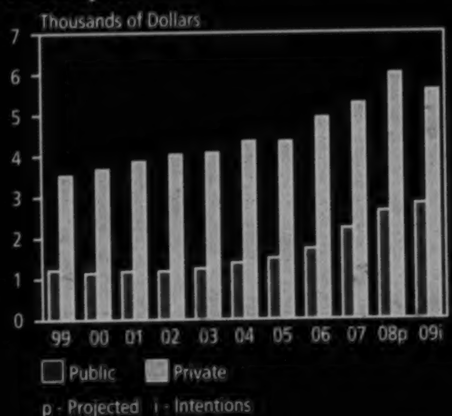
A **tangible capital asset** is a non-financial asset that is acquired, contributed, constructed or developed and:

- is held for use in the production or supply of goods and services, for rental to others, for administrative purposes, or for development, construction, maintenance, or repair of other capital assets;
- requires operating and maintenance expenditures and may need to be replaced in the future;
- has a useful economic life extending beyond an accounting period and is intended to be used on a continuing basis; and
- is not intended for sale in the ordinary course of operations.

Net book value is the difference between the cost of a tangible capital asset less accumulated amortization and any write-downs, and represents the remaining cost that is yet to be amortized over its useful life.

Chart 4

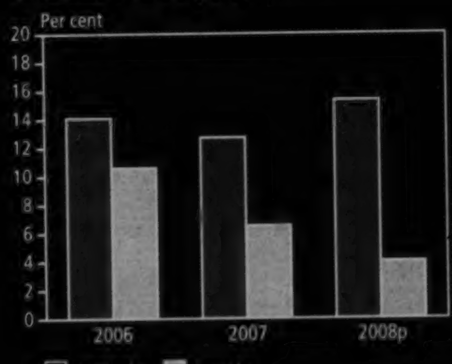
Public and Private Investment Per Capita



Sources: Statistics Canada, Manitoba Finance

Chart 5

Total Capital Investment Growth Per Capita



Sources: Statistics Canada, Manitoba Finance

This commitment complements other initiatives to expand the skills base of the Manitoba economy, including:

- continuing investment in the purchase of technical training spaces for apprentices;
- modernizing Manitoba's apprenticeship system by implementing the recommendations of the Apprenticeship Futures Commission;
- establishing training and apprenticeship targets for major capital projects funded by the Province; and
- ensuring the apprenticeship system is more flexible and responsive to changing economic and labour market dynamics.

Strengthening apprenticeship programs in the context of stimulus has two major benefits. First, workers are able to enhance their skills and improve their job prospects; and second, it strengthens the pool of skilled workers that will support the future prosperity of Manitoba businesses.

MAJOR INVESTMENTS

According to the 2009 Statistics Canada Private and Public Investment in Canada, Intentions survey, Manitoba is expected to continue to experience a high level of capital investment in the coming year, despite the completion or near-completion of several major projects (see Chart 4). In 2009, approximately $10.1 billion is expected to be spent by the public and private sectors in Manitoba, a decrease of 2.6% since 2008, but well above the five-year average annual investment of $8.1 billion. In 2009, $3.4 billion is projected to be spent on public capital investment, a 7.0% increase over 2008, and approximately $6.7 billion on private capital investment, a 6.8% decrease since 2008. Public capital investment is expected to bolster the slowing of private capital investment, which for the past five years has grown at an average increase of 8.2% per year.

Manitoba's capital investment spending in 2009 is projected to be the second-smallest decrease in Canada and less than half of the projected national average decline of 5.4%.

Manitoba's capital investment growth has been strong compared to the rest of the country. According to Statistics Canada, over the last three years, Manitoba's capital investment per capita has grown, on average, by 14.0%. This is almost double the national average growth per capita of 7.1% (see Chart 5).

MANITOBA INVESTMENTS

Provincial infrastructure assets including roads and highways, water-related control structures and general assets such as public housing, health and education facilities, public service buildings, parks and campgrounds serve the public good. To meet the needs of today and future generations it is necessary to invest in infrastructure and the renewal of existing assets. Renewal improves the quality of life of Manitoba residents, and provides opportunities for economic development by supporting businesses. Better infrastructure improves capacity for businesses to operate more effectively.

Another part of this sustainable approach relates to minimizing our Government's impact on the environment, and reducing costs with renewable heating alternatives like geothermal. For example, Manitoba has a Green Building Policy for Government of Manitoba funded projects. This policy requires green building standards to be utilized in new capital projects, and that they be constructed at a minimum LEED® (Leadership in Energy and Environmental Design) Silver rating or as close to a LEED® certified standard wherever practical.

To meet the needs of today and future generations, it is necessary to invest in infrastructure and the renewal of existing assets.

Manitoba's approach to capital investment has been one of strategic planning, through identification of needs and building or renewal of important infrastructure. Through a prudent approach to investment, Manitoba has been able to increase the assets of the Province while maintaining a sustainable level of debt. This balanced approach has added to the strength of the financial record of the Province, having earned the Province several credit rating improvements.

Health

Since 1999, Manitoba has invested over $1.2 billion in capital infrastructure to modernize and expand more than 90 health care facilities across the province. Manitoba will continue to accelerate this historic commitment through a multi-year health infrastructure plan.

Projects are developed and implemented in collaboration with Regional Health Authorities based on community health needs and advanced health practices, appropriate standards (program, design and construction) and affordability.

Examples of recent major projects include:

- Seven Oaks General Hospital Emergency Room development
- Neepawa Personal Care Home
- Deloraine Health Centre – Community Cancer Program

- Dauphin – Community Health Services Building
- Notre Dame de Lourdes – Lourdéon Wellness Centre
- Pine Falls Health Centre – Primary Health Care and Traditional Healing Centre
- Portage District General Hospital – Emergency Room redevelopment

There are new or renovated hospitals in Winnipeg, Brandon, Swan River, Thompson, The Pas, Pinawa and Gimli. Ste. Anne and Steinbach are currently in planning stages. The $135 million Health Sciences Centre (the Ann Thomas Building) redevelopment is the largest health facility redevelopment in Manitoba's history.

Better and faster emergency care has been the goal of investments in upgrades or expansions of emergency rooms at hospitals around the province, including St. Anthony's Hospital in The Pas, Seven Oaks, Concordia, and Victoria Hospitals in Winnipeg.

> "Building (and re-building) the education infrastructure creates employment now and creates capacity for the future."
>
> Lori Kletzer, Professor, University of California

Education

From kindergarten to grade 12, education is a priority for Manitobans and since 1999, the Manitoba Government has invested $483 million in capital funding, or approximately double the investment of the 1990s. In 2009, the Province will move forward with its infrastructure plan for public schools with a multi-year capital plan.

Manitoba's current capital projects strategy for schools is twofold: first, to determine and support high-need areas in terms of immigration and population change; and second, to improve or replace existing infrastructure as required.

Over 100 capital projects were approved in 2008/09, including a new gymnasium for George V School in Winnipeg, expansion of the Stonewall Collegiate gymnasium and renewal work to enhance access for students with disabilities. Recent noteworthy projects include:

- Carberry Collegiate Institute, over 51,000-sq.-ft. replacement facility
- Robertson School in Winnipeg, a major Autism Centre addition of 13,000 sq. ft. and improvements
- West Kildonan Collegiate Institute, 88,500-sq.-ft. replacement facility
- École Aurele-Lemoine in St. Laurent, a new cost-shared francophone school of 28,600 sq. ft.

Manitoba's strategy to ensure post-secondary education will meet the demands of the future rests on three areas: affordability, accessibility and

excellence. Supporting the upgrade and renewal of post-secondary education infrastructure through a multi-year plan ensures youth pursue education and training here at home. Further, the health of post-secondary institutions is central to providing access to quality education and training facilities.

Since 1999, Manitoba has supported $565 million in capital investment to its post-secondary institutions, including:

- relocation of Manitoba Institute of Culinary Arts and expansion of trades, Assiniboine Community College;
- Red River College Princess Street Campus building project in downtown Winnipeg;
- Brandon University Health Studies Building;
- new Engineering Building at the University of Manitoba; and
- construction is under way for the Richardson College of the Environment at the University of Winnipeg.

Since 1999, the Province has provided the University of Manitoba with $250 million in capital support for construction and renovation. This support, combined with the University of Manitoba's own successful fundraising efforts, leveraged substantial private sector contributions for the renewal of the University's infrastructure.

In 2008, Manitoba announced its support of the University's Project Domino, contributing $47 million toward a $100 million multi-year project which will see the renewal of several buildings on campus and construction of a new student residence. An additional $47 million has been committed for the University College of the North capital project in Thompson and The Pas.

Education is a priority for Manitobans and since 1999, the Manitoba Government has invested over $1 billion in capital funding for schools and post-secondary education.

Housing

Manitoba Housing and Renewal Corporation (MHRC) is the owner of all provincial housing assets and provides subsidies for approximately 35,000 housing units developed under various federal-provincial programs. The Corporation operates as a delivery arm for federal and provincial social housing programs that include the cost-shared Affordable Housing Initiative, and home renovation programs in Manitoba such as the Residential Rehabilitation Assistance Program. MHRC also provides new housing policy, programs, initiatives, planning and policy direction in the area of land development.

On April 17, 2007, the Province of Manitoba announced a multi-year $188 million investment in the HOUSING*First* strategy. Currently entering its third year, the strategy has already committed $108 million to

enable community-driven construction or renovation of affordable homes for lower-income Manitobans and making investments to enhance public housing, homeless shelters, and basic home repair. The strategy supports the provision of safe, quality, affordable and accessible housing for low-income Manitobans.

The strategy consists of four pillars as follows:

1. HOME *Works!* targets the construction or renovation of affordable homes for low-income Manitobans such as the Massey Building in Brandon.
2. Modernization and improvement of the MHRC-owned public housing stock.
3. Project: A Roof Over Each Bed will invest in emergency and transitional shelter for homeless people.
4. Home renovation programs will assist low-income households with repairs, modifications or rehabilitation.

"Boring projects like repaving existing roads and bridges are likely to create jobs much faster than big new infrastructure projects that might take years of design and regulatory review before breaking ground."

Len Burman, Director
Tax Policy Center

Roads and Bridges

Manitoba's extensive network of highways and railways coupled with the Winnipeg James Armstrong Richardson International Airport and deepwater seaport in Churchill represent a significant competitive advantage for Manitoba business. With the help of the Manitoba International Gateway Council, the Province will continue to work with the private sector and other levels of government to promote Manitoba as a transportation and distribution gateway to the world.

Manitoba's businesses and communities are physically linked to the North American economy via a network of over 19,000 kilometres of highways, 2,400 bridges and culverts, 2,200 kilometres of winter roads, 24 northern airports, five ferry operation sites, and a water control system encompassing an additional 642 bridges, 380 large culverts and approximately 900 other structures. These assets have a total replacement value of approximately $10 billion.

In 2006, Manitoba announced an unprecedented $4 billion, 10-year program to modernize highways and bridges across the province. The first five-year phase was under way in 2008 with investments in 1,300 kilometres of key routes including the Trans-Canada Highway, the Perimeter Highway, and Highways 6, 10, 16, 59 and 75.

In 2008 alone, Manitoba invested about $385 million in roads and bridges. The Government will build on this strong commitment and further grow the funding of its road infrastructure plan.

Working with the federal Building Canada Fund, Manitoba can access additional funds to enable more ready-to-go projects to proceed as quickly as possible. Projects include:

- rehabilitate or rebuild more than 50 bridges and structures across the province
- improve Trans-Canada Highway:
  - west from Headingley to Portage la Prairie
  - west from Brandon to the Saskatchewan border
- improve:
  - Highway 8 north of Gimli
  - Highway 10 in the Brandon area
  - Highway 59 north of Winnipeg
  - Highway 68 west of Eriksdale, and
  - Highway 83 south of Benito
- northern highway investments, including:
  - Provincial Road 373, the road to Norway House
  - Provincial Road 374, the road to Cross Lake
  - All-weather road on the East Side of Lake Winnipeg
  - Highway 6 near St. Martin to Thompson, and
  - Highway 10 south of The Pas.

The Province has further committed to invest $125 million over five years in new funding for Winnipeg's transportation infrastructure to meet the demands of a growing population. In 2008, Manitoba provided $29 million toward that commitment, an increase of $8 million over 2007.

The Province provides significant annual funding to support affordable and accessible transit service in all regions of Manitoba, including partnering with the City of Winnipeg to support initial stage construction of the Southwest Rapid Transit Corridor, a $138 million project.

In 2006, Manitoba announced an unprecedented $4 billion, 10-year program to modernize highways and bridges across the province.

Manitoba as a Transportation and Distribution Gateway

The Provincial Government is committed to connecting Manitoba businesses to the world. Significant investments have been made to transportation infrastructure and developing trade opportunities to ensure the province is competitive both nationally and internationally. Manitoba's position at the heart of North America makes it a key part of the international

As one of the largest public infrastructure projects in Manitoba's history, the floodway expansion has already resulted in significant economic opportunities for workers, the construction industry and the provincial economy. Over 2,500 people and over 120 companies have worked and continue to work on the project.

Mid-Continent Trade and Transportation Corridor, connecting Canada to a market of 100 million people. For instance, Highway 75 is Manitoba's main trade route to the south and in 2007 facilitated $14.7 billion in Canada-U.S. trade through Emerson, the busiest border crossing on the Prairies.

Essential to this network is CentrePort Canada, Manitoba's inland port which builds on the province's already well-established system of air, rail, sea and trucking routes. CentrePort consists of 20,000 acres of land in the vicinity of the Winnipeg Airport that will serve as a transportation, trade, manufacturing, distribution, warehousing and logistics centre.

For Manitoba, the CentrePort Canada project represents a commitment to capital investment in order to establish a high-speed corridor linking the airport, industrial lands and intermodal rail facilities in the Northwest quadrant of Winnipeg with the Trans-Canada Highway to expedite the movement of goods to international and domestic markets. The federal government has indicated its support in partnering with Manitoba and named CentrePort Canada as one of its priorities in Budget 2009.

Manitoba's position as an international transportation and distribution gateway is supported by the Churchill Gateway Initiative, a $68 million partnership with OmniTRAX and the federal government to enhance the port of Churchill and the Hudson Bay Railway. This unique gateway connects the CentrePort with the deepwater subarctic port of Churchill, at a time when Churchill is poised to capitalize on its shipping route access to Russia and Europe.

Floodway and Other Water-Related Infrastructure

A central feature underpinning Manitoba's water infrastructure renewal plan is the Red River Floodway Expansion Project. The project is a prime example of a successful intergovernmental co-operative approach toward a practical infrastructure solution; and it was developed through the lens of community economic development in order to ensure it benefited local economies and equity groups.

The floodway is a $665 million federal-provincial cost-shared project that started in 2005 and will significantly increase flood protection for the residents of the City of Winnipeg and surrounding areas. Once completed, the project will protect more than 450,000 Manitobans, over 140,000 homes, and over 8,000 businesses. The expansion work is on track to prevent more than $12 billion in damages in the event of a 1-in-700-year flood by spring 2009.

As one of the largest public infrastructure projects in Manitoba's history, the floodway expansion has already resulted in significant economic opportunities for workers, the construction industry and the provincial economy. Over 2,500 people and over 120 companies have worked and continue to work on the project.

The Conservation Districts program is a provincial-municipal partnership operated by local watershed boards. The program provides for the conservation, control and prudent use of resources through the establishment of conservation districts under *The Conservation Districts Act*. Conservation districts are comprised of groups of municipal governments including cities, towns and villages.

Manitoba's first conservation district was formed in 1972. Today there are 18 conservation districts with 154 municipal governments participating in the program, almost double what there was in 1999. As well, the total budget has almost doubled to over $5 million.

A significant component of the province's water-related infrastructure has been maintained and upgraded in partnership with several conservation districts throughout the province. An annual operating grant to conservation districts enables leveraging of expertise and funding and provides for a local perspective and responsibility, while maximizing the positive effects of an efficient and effective maintenance and upgrade plan.

Of the over $5 million in annual grants to conservation districts, approximately $1 million is allocated to maintenance of provincial waterway infrastructure.

Manitoba floodway expansion

Other Important Investments

Manitoba Conservation's main infrastructure capital programs are parks infrastructure, camping improvements, and cottage lot development. These programs, in conjunction with park and campground operations and the cottaging initiative, support Manitoba's key priorities related to community economic development, promoting healthy living and a cleaner, healthier environment.

Upgrades, enhancements or additions to park facilities and cottage subdivisions create jobs and business opportunities for local communities, as well as ongoing employment opportunities related to operations and maintenance.

Manitoba has invested $89.3 million into developing new facilities for Justice, notably a number of major correctional projects to house offenders and improvements to courthouses to increase the number of cases tried.

Manitoba is "greening" its provincial parks through upgrades such as:

- retrofitting modern washroom/shower buildings with low-flow fixtures, and
- integrating the provincial Green Building Policy in the construction of new park buildings/facilities.

Improvements are continuing in provincial parks. In the last five years, Manitoba has upgraded 568 campsites in 20 campgrounds and added 80 new campsites and 54 new yurts and family vacation cabins. In 2008, Manitoba invested $2.25 million to improve the province's parks and campsites. Site improvements included:

- beginning construction of 64 new electrical sites at Wellman Lake campground,
- planned addition of two new family vacation cabins added in Hecla/Grindstone Provincial Park,
- addition of six yurts each at Camp Morton and Stephenfield Provincial Parks,
- new shower facilities at Birds Hill Park campground, and
- new washroom/shower building at West Hawk Lake campground.

Manitobans want to feel safe in their own communities and they expect that there will be appropriate consequences for acts of violence and organized crime. While Manitoba's long-term strategy is one of prevention, since 1999, Manitoba has invested $89.3 million into developing new facilities for Justice, notably a number of major correctional projects to house offenders and improvements to courthouses to increase the number of cases tried. These projects ensure justice-related infrastructure is equipped to standards required for optimal safety and security for the public, civil service employees and inmates.

Projects include the 60-bed maximum-security unit and new Women's Correctional Facility at Headingley, and the $58.9 million 150-bed medium-security unit expansion and upgrade at Milner Ridge Correctional Centre.

Rural and Northern Manitoba

Manitoba has also committed a total of $16.5 million to support recreation facility upgrades in rural and northern Manitoba through the establishment of the Municipal Recreation Fund. In 2006, Manitoba announced a $7.5 million fund for recreation facility upgrades across the province. In 2008, the Province announced a $9 million extension to this Fund, as part of the Government's commitment to double the level of funding for community recreation facilities to $60 million over four years.

Manitoba works with agricultural and food sectors as well as rural and northern communities to accelerate their greater prosperity and capacity. To focus its work, Manitoba has identified five priorities including farm profitability, value-added development, rural economic development, environmental stewardship, and health and wellness.

The Province's efforts in the past ten years to support development in its priority areas has focussed on the development of individual businesses (including entrepreneurial development) and broader industry development. In that context, Manitoba has invested in agricultural infrastructure such as:

- Food Development Centre expansion to nurture food product development, especially using Manitoba agricultural products;
- Richardson Centre, Canadian Centre for Agri-Food Research in Health and Medicine, and Food Development Centre to support research and commercialization to develop the functional foods and nutraceutical industry and support human health and wellness;
- expand the potato processing industry in Manitoba through irrigation investments;
- expand pork processing through water and wastewater investments;
- Rural Economic Development Initiative investments in community infrastructure to support business development opportunities;
- enhancements to laboratory capacity to assist producers with diagnosis and treatment of animal diseases to maintain Manitoba's high-quality livestock and processed livestock exports; and
- redevelopment and upgrades to the Brandon Keystone Centre.

Enhancements to laboratory capacity to assist producers with diagnosis and treatment of animal diseases

Future infrastructure investments are vital to keep the agriculture and food industries and rural/northern communities growing and capturing new opportunities. To do this, the Province is supporting additional investments in hog processing and establishing the Canadian Cereal Research and Innovation Laboratory.

Assistance to Third Parties

Manitobans and their communities will benefit from priority public infrastructure initiatives as a result of the federal-provincial Building Canada Framework Agreement. Funding will be allocated for projects in Manitoba based on population and selected through federal-provincial negotiations. The program will operate through two components:

- the Major Infrastructure Component will target larger, strategic projects of national and regional significance; and

- the Communities Component will focus on projects in communities with populations of less than 100,000 – helping these smaller communities face their unique challenges. Funding may result in total investment of up to $120 million.

This agreement will provide Manitoba with additional resources to accelerate the Provincial infrastructure plan.

Museum

Manitoba proudly supports the vision for a new Canadian Museum of Human Rights with a commitment of $40 million. This museum will make it possible for Manitobans, Canadians and international visitors to gain a deeper understanding of historical and present-day human rights issues, struggles and victories worldwide.

Canadian Museum of Human Rights, artist rendered design

This world-class museum will be the first national museum to be created since 1967 and the first to be located outside of Ottawa. Its creation is the result of a concentrated and sustained effort by the community that brought together the three levels of government, the private sector, and non-governmental organizations to pledge a total of $265 million for its construction.

Manitoba Hydro

Over the past 10 years, Manitoba Hydro has undertaken operations and maintenance projects as well as several major capital projects that have, directly or indirectly, supported job creation and the economic viability of the province.

Manitoba Hydro plans to invest approximately $15 billion in capital for major new generation and transmission projects over the next 10 to 15 years, including projects like Wuskwatim, Bipole III, Keeyask and Conawapa. These projects will serve the growing needs of Manitoba customers as well as allow Manitoba Hydro to meet export market opportunities.

Ongoing operations and maintenance projects, which account for $400 million of Manitoba Hydro's annual expenditures, have been undertaken to ensure the reliable and safe supply of energy. Projects include:

- maintaining the province's hydro-electric dams, power generators and transmission lines,
- managing the natural gas required to heat homes,
- supporting renewable energy such as the 99 megawatts (MW) St. Leon Wind Farm,
- developing award-winning energy-saving initiatives through Hydro's PowerSmart program, and
- delivering equally recognized, exceptional customer service.

In meeting its annual operational and maintenance needs, Manitoba Hydro directly contributes 6,000 jobs to the provincial work force through its own staffing requirements, another 5,000 jobs are directly supported due to Hydro's supplier requirements, while another 7,500 jobs are supported indirectly by Hydro's activities in the communities in which we all work and live. On an annual basis, Hydro supports over 18,000 jobs in the province and adds close to $1.13 billion to the GDP.

Manitoba Hydro's major capital investments are driven by the goal of increasing Manitoba's electrical load, infrastructure maintenance, stringent reliability, safety and environmental standards and extraprovincial sales commitments. Recent examples of Hydro's capital projects include the building of a new head office and Wuskwatim generating station.

The single largest investment to renewable energy in the past 20 years in the province has been the development of Wuskwatim. Located in northern Manitoba along the Burntwood River, Wuskwatim will produce 200 MW of new hydro-electricity through its three power units. This capital project began in 2006, will be operational by 2011, and has supported almost 4,800 person-hours of employment, including 2,000 construction-related jobs, 1,100 supplier-related jobs, and another 1,700 jobs that will be indirectly created by the project's requirements. From beginning to end, the construction of Wuskwatim will cost close to $1.6 billion and will yield over $320 million in GDP for Manitoba.

Manitoba Hydro generating station

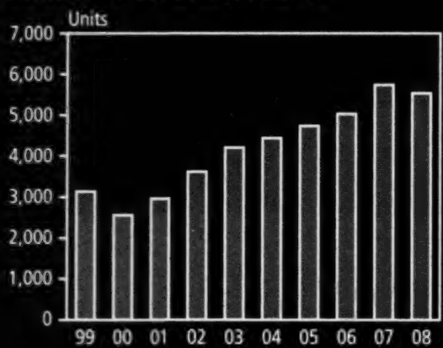
In addition to supporting the Government's priority on renewable energy, Wuskwatim represents a new approach of engaging Manitoba's First Nation communities in development opportunities. From the onset of project conception, through to the construction activities themselves, Manitoba Hydro has worked with the area's First Nation communities, and together they have modeled a partnership which has resulted in substantial training and employment programs, and improved roads and community facilities, while maintaining great respect and support for the spiritual and cultural needs of the local populations.

As we look forward into the next 10 years, Hydro's future capital investments will further underscore the Province's commitments to economic growth, safe, reliable renewable energy, and environmental stewardship.

While construction of the Conawapa generating station is still in the planning stages, the 1,485 MW station will be Manitoba's largest hydro-electric project. Conawapa will create about 13,000 person-years of direct and indirect employment over its eight-year construction period.

The smaller Keeyask project is also in its planning stages, and in partnership with local communities on the lower Nelson River. Keeyask will result in a

Chart 6
Manitoba Housing Starts



Source: Canada Mortgage and Housing Corporation

695 MW station that provides about 10,500 person-years of employment, over the construction period.

MAJOR PRIVATE SECTOR INVESTMENTS

Private capital investment accounts for approximately 67% of total annual capital investment in Manitoba. In 2009, approximately $6.7 billion is estimated to be spent on private capital investment, a 6.8% decrease from the previous year. Over the last five years, private capital investment per capita, on average, has grown by about 8.2%, a percentage point higher than the national average.

By far the largest portion of private capital investment in Manitoba is realized in the housing sector. According to the 2009 Statistics Canada Private and Public Investment in Canada, Intentions survey, housing is estimated to account for nearly 25% of total capital investments in Manitoba. As well, Manitoba is projected to have the highest increase in housing investment in 2009 at 3.2%, which is greater than the national estimate of 1.8%.

In 2008, according to the Canada Mortgage and Housing Corporation, there were 5,537 housing starts in Manitoba, the second-highest level in over 20 years (see Chart 6). Over the last five years, Manitoba has experienced the third-highest housing investment growth in the country, with an increase of 60.4%. Although, forecasters are predicting a national housing market contraction in 2009, Manitoba is well positioned to withstand any uncertainty in the housing market.

The value of building permits rose 14.4% in 2008, the strongest increase in almost a decade. In contrast to national trends, Manitoba's 20.5% permits growth in the second half of the year was particularly strong and reflected ongoing increases in business investment, rising personal incomes and continued robust population growth.

The increase in these permits can perhaps be seen through many capital projects, including several major private investments that are being planned, are under way, or recently completed. Following are some examples.

Transportation

- Construction of the $585 million **Winnipeg James Armstrong Richardson International Airport** terminal is ongoing. The project is expected to be completed later this year.
- **Thompson Regional Airport Authority** plans to build a new terminal at a cost of $12 million to $15 million including infrastructure. Construction would likely begin by September 2009.

- **Greyhound Canada** is also constructing a $6.3 million bus terminal near the airport for travelers. The new terminal is expected to open in mid-August 2009.
- **Via Rail** is undertaking a major upgrade of the train station in downtown Winnipeg. The station upgrade will be completed this year. Major projects will include improvements to platform areas, lounges and lighting as well as general interior and exterior renovations.

Retail

- **Ikea** announced plans to open a retail store in late 2011 to early 2013. The Winnipeg Ikea and related development will be one of the largest in Canada involving the investment of $400 million.
- **Shindico Realty Inc**. will spend between $30 million and $35 million to develop a shopping centre near the existing Kildonan Place Shopping Centre. Construction is expected to begin in 2010.
- **Centre Venture Development Corporation** is building a $30 million, four-storey, and 80,000-square-foot office, retail and parking complex in Winnipeg. The building will be completed by July 2009 and house the offices of the Winnipeg Regional Health Authority.

Industrial

- **TransCanada Corporation** is building its $5.2 billion Keystone Pipeline, a crude oil pipeline stretching from Hardisty, Alberta through to the U.S. Midwest markets at Wood River and Patoka, Illinois, and via a branch of the pipeline to Cushing, Oklahoma.
- **Hytek Ltd.** is planning to invest $59 million to upgrade its **Springhill Farms Processing Plant** in Neepawa, Manitoba. The upgrade will enable the processing facility to increase production from 800,000 hogs a year to 1.4 million.
- **Weston Bakeries** is currently building a new $25 million manufacturing plant in Winnipeg.
- **Magellan Aerospace** is investing up to $120 million on new equipment, research and training over the next five to seven years.

Residential/Hotel

- **B M Lands** is undertaking an extensive housing development project which includes establishing 336 two- and three-bedroom rental units. The project will redevelop 12 run-down buildings and construct six new buildings. The development is thought to be the first community geothermal system in Manitoba.

"If you've invested in infrastructure wisely, the increase in economic activity can generate sufficient revenue to help defray your borrowing costs..."

Michael B. Percy, Dean
University of Alberta
School of Business

The Government's $4.7 billion investment plan is expected to create tens of thousands of jobs.

- **The Residences on York**, a $22 million conversion of the former York the Hotel to a 181-unit apartment block, is nearing completion. The building will include a spa and fitness facility on the second floor, a restaurant/lounge and cafe on the main floor, and an adjacent parkade.
- **Lakeview Management Inc.** is constructing a new $20-million, seven-storey, 100-room luxury hotel located directly across from the new Winnipeg airport terminal building. The completion date is late 2009 or early 2010.

Other

- **Old Market Square** is getting a $3.3 million upgrade. Plans for the Exchange District green space include a new stage, public art, and winter amenities such as a curling rink and a 10-metre wide skating oval and pavilion, which may include a small restaurant at the corner of King Street and William Avenue. The project will begin this summer.

CONCLUSION

Over the past ten years, Manitobans have seen record levels of investment in public assets. These investments have contributed, in large part, to improving the quality of life for all across the province through construction or renewal of assets such as roads and highways, water-related control structures, health facilities, schools and parks. These improvements will benefit future generations of Manitobans.

Manitoba has also experienced strong private capital investment over the years, as the Province's economy has experienced some of the strongest growth in Canada. This is due to its high level of diversification that adds stability during volatile economic cycles.

Capital investments are essential in the future of Manitoba's communities and long-term growth of the Province's economy as they provide jobs during an economic crisis. As announced in the Throne Speech, the Government's $4.7 billion investment plan is expected to create tens of thousands of jobs.

Manitoba's historic and future commitment to infrastructure investments, renewal of tangible capital assets, while maintaining a fiscally responsible approach to budgeting and debt, will continue to deliver benefits to Manitobans. It is necessary to continue these investments during times of economic instability for today's and for future generations, as these investments will help position Manitoba in such a way that, when the economy recovers, the Province will be ready to take full advantage.